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ABSTRACT

In the 1960s and 1970s, steady economic growth helped the Costa Rican government expand its education system rapidly. The 1979 oil shocks, the U.S. 1981-82 recession, and other factors ended this prosperity and exposed the fragility of Costa Rica's late 1970s debt-financed development. To restore economic growth, new economic policies were implemented, based on International Monetary Fund bridge loans and World Bank Structural Adjustment loans. Structural adjustment imposed certain conditions, including reduced government spending for social programs like education. Secondary education was sacrificed politically to keeping teacher salaries low, parent material contributions high, and university education subsidies high. As morale fell, scapegoating teachers became common. This study examines why the Costa Rican government made such education decisions during structural adjustment (1983-91) and explores how structural adjustment policies are being implemented in Costa Rica's educational setting. Clearly, the government's decision to reduce educational spending was influenced by IMF/World Bank pressures. Policies were less planned than reactive. Teacher organizations' reactions to salary reductions were understandable. The neo-conservative adjustment process negatively affected the shape and quality of Costa Rica's public education. Contains 130 references, 18 tables, and 7 figures. (MLH)

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EDUCATIONAL CHANGE AND STRUCTURAL ADJUSTMENT: A CASE STUDY OF COSTA RICA

by

Martin Carnoy

and

Carlos Torres

U.S. DEPARTMENT OF EDUCATION
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EDUCATIONAL CHANGE AND STRUCTURAL ADJUSTMENT: A CASE STUDY OF COSTA RICA

by

Martin Carnoy

and

Carlos Torres

Staff responsible for the document: Lucila Jallade

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Bureau for the Co-ordination of Operational Activities (BAO)

Paris, September 1992

A Case Study

Prepared for ILO-UNESCO Interagency Task Force

"Austerity, Adjustment and Human Resources"

Martin Carnoy is Professor, Stanford University.

Carlos Torres is Associate Professor, University of California Los Angeles.

With the collaboration of:

Yolanda Rojas and Carlos Paniagua, Professors, University of Costa Rica.

The views expressed in this paper are those of the authors and not necessarily those of UNESCO.

Preface

Many countries facing persistent economic problems have been forced to initiate far-reaching modifications of economic policy and structure. Both the economic crisis and the adjustment process itself are generally painful and politically difficult. Responses to the crisis, whether or not organized into a formal adjustment process, have frequently involved reducing public expenditures on social services. In allocating resources for investment and recurrent expenditures, many countries have in practice assigned a lower priority to education and training, or have adopted austerity measures that have severely compromised the quality of education and training. Such disinvestment in the skills and knowledge of young people may jeopardize countries' longer term recovery and development prospects.

Both ILO and UNESCO have a worldwide mandate to exercise leadership in the development of human resources and hence consider it their responsibility to assist countries that pursue structural adjustment measures to maintain and improve the provision of education and training. Both organizations have sought to play a more active role in the context of structural adjustment and are indeed well placed to promote fruitful dialogue among all the parties involved in developing and implementing structural adjustment programmes. As specialized UN agencies, ILO and UNESCO have an objective and well-recognized neutrality in their programmatic efforts. They have close contacts with the ministries, governmental and non governmental institutions responsible for social programmes and at the same time speak the language of both funding agencies and ministries of finance. Their extensive and rich experience in human resource development enables them to create programmes for education and training that stress both equity and efficiency.

Recognizing their common concern with the impact of financial constraints on human resource development, UNESCO and ILO have established an Interagency Task Force on Austerity, Adjustment, and Human Resources. The Task Force has undertaken to develop approaches to respond to education and training challenges of countries undergoing economic restructuring. Through their joint work, both organizations aim not only at facilitating dialogue on education and training policies in the context of economic adjustment, but also at supporting the development of national analytic, policy formulation and implementation capacities.

The initial deliberations and papers commissioned by the Task Force focused on developing a clearer picture of the consequences of the widespread financial crisis for education and training.

On this basis, the Task Force initiated a programme of policy oriented research. The basic concern of the research is the need to protect and develop education and training through informed, feasible and sustained policy reform. This requires a fuller understanding of national responses to financial crisis and economic reorganization and of the international economic and political environment that circumscribes those responses. Especially since critical decisions on education and training policies may take place in different institutional settings, the joint research programme has been organized around focused case studies. The purpose of the case studies is to learn from countries' experiences to assist national decision makers and managers in other countries in their efforts to bring about sustainable policy reform. The central focus of the case studies is on the response of the decision making process and on the political, economic, and social contexts within which policies are adopted and implemented. The case studies analyze in detail the education and training responses of governments, institutions, interest groups, firms, communities, households, and individuals to structural change and financial retrenchment.

Case studies have been undertaken with ILO support in Brazil, Senegal and Hungary, and with UNESCO support in Costa Rica and Tanzania. Each case study has been conducted by a small group of national and foreign researchers with extensive experience in education, training and development. The UNESCO case studies were coordinated by Joel Samoff, Stanford University, who is also the senior consultant to the ILO-UNESCO Task Force. The Task Force coordinator at UNESCO is Lucila Jallade, education economist in the Operational Policy and Sector Analysis Division. The Costa Rica case study, commissioned by UNESCO, is presented here. It was prepared by Martin Carnoy, Stanford University, and Carlos Torres, University of California at Los Angeles, who are leading specialists in the economics and sociology of education, with the collaboration of Yolanda Rojas and Carlos Paniagua, University of Costa Rica. Beaudouin Duvieusart, educational planner and Marc Cohen at UNESCO have provided useful contributions for the finalisation of the study. Juan Chong Sanchez, Head of UNESCO's Regional Office in Costa Rica provided guidance and support.

Klaus Bahr

Director a.i.
Bureau for Co-ordination of Operational Activities

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I. INTRODUCTION[1]

As the Central American country with the highest standard of living, highest level of education, and most stable political structure, Costa Rica ought to be particularly well placed to take advantage of new economic and social development opportunities. But since the late 1970's, Costa Rican policy makers have had to adjust to a whole new set of development conditions. Primary among these has been the need to restyle the Costa Rican welfare state by reducing spending on social services, including education. This paper analyzes why national educational policies changed under the new conditions and how those policies, in turn, altered the country's education system.

In the 1960's and 1970's, steady economic growth stimulated by stable and then rising commodity prices for coffee, bananas, and beef helped the Costa Rican government to expand its education system rapidly. Total government spending grew in the 1970's from 16 to 25 percent of gross domestic product. Almost one third went for education. By 1980, the country had achieved essentially universal primary education, almost half the relevant age cohort were in secondary school, and 25 students per thousand of total population attended university. This was almost double Mexico's university enrolment rate, and higher than the average upper-middle income countries.

The 1979 oil shocks, falling demand in the Central American Common Market and the 1981-82 recession in the United States ended this phase of Costa Rica's development. And, as in most other Latin American countries, the much higher real interest rates and declining commodity prices that resulted from U.S. macro-economic policies in the 1980's also exposed the fragility of Costa Rica's debt-financed development of the late 1970's. In order to restore economic growth, new economic policies were implemented on the basis of IMF bridge loans in 1982 and 1985 and World Bank Structural Adjustment loans[2] in 1985 and 1988. Structural Adjustment imposed a number of conditions, including reduction of

[1]The authors would like to thank Professors Yolanda Rojas and Carlos Paniagua, of the University of Costa Rica, for their collaboration in data collection and for sharing with us their views of Costa Rica's society and education.

[2]Costa Rica negotiated eighteen economic agreements with the IMF between 1948 and 1987. Wilburg Jiménez Castro. Prestamos y programas de ajuste estructural de Costa Rica San Jose, Editorial Universidad Estatal a Distancia. 1991, p.97.

government spending, real devaluations to promote exports, tariff reductions, and attempts to increase public and private savings.

Since a significant part of government spending is on education, and Structural Adjustment "required" reduction of public deficits, educational policy also had to "respond" to these demands. The obvious manifestation of this response was in educational spending. Public spending on education, which fell sharply in the recession of 1980-1982, did not recover to earlier levels. Gross domestic product grew after 1983, but was not followed by a concomitant restoration of investment in public schooling. By 1990, only spending on university education was at or above 1980 levels, and total real educational spending was at 1978 levels, about 70 percent of the 1980 high.[3]

Yet, the most important responses were more subtle, related to the constraints on educational spending but not completely dependent on them. Enrolment in secondary education declined sharply and, in a sense, secondary education was "sacrificed" politically to (a) keeping teacher salaries low; (b) maintaining parent material contributions high; and (c) continuing to subsidize university education heavily. Educational quality in secondary school also appears to have been sacrificed to these same political-financial goals - at least as suggested by increased repetition rates and the increasing percentage of teachers without university education. These changes will be analyzed in detail below.

Morale in the public schools also fell, in part because of the decline in pay and status for teachers and principals, in part because of the lack of schools supplies and funds for maintaining school physical plant, but mainly because of a fairly consistent government policy - implicitly supported by international agencies - of blaming teachers and school administrators for the "mediocre" education received by Costa Rica's children. Such "teacher-bashing" became an inherent part of the government's attitude towards educational problems.

The Focus of This Study. Why and how did the Costa Rican government take the decisions it did towards education during the period of Structural Adjustment (1983-1991)? This study tries to understand how Structural Adjustment policies are being implemented in Costa Rica's educational setting. Who are the key actors involved in the complex process of policy negotiation? What is the rationale underlining educational policies designed to match the goals of Structural Adjustment loans? What strategies for adoption and implementation of changes are being devised, and what are the implications and repercussions of these policies regarding key actors and educational services? In exploring these policy

[3]For an earlier, brief analysis of the impact of Structural Adjustment policies on educational spending in Costa Rica, see Fernando Reimers, A New Scenario for Educational Planning and Management in Latin America, Paris, International Institute of Educational Planning, 1990, Chapter 6.

questions, issues of equity, equality, education expansion and quality of education will be addressed.

We make the following case in this report:

1. The government's general decision of trying to keep educational spending from increasing was shaped by a clear message from international lenders, both multilateral (the IMF and the World Bank) and bilateral (USAID), that the public deficit had to be reduced for Costa Rica to qualify for the international assistance it desperately needed to keep its economy afloat. This clear message by international lenders produced rather predictable reactions by various educational key actors--politicians, teachers, unions and parents.

2. Policies were less planned than reactive; less the result of the careful study of policy alternatives and more the result of highly constrained decisions required by the very structure of Structural Adjustment's financial demands. In part, reaction rather than studied alternatives were and are due to a lack of capacity for systematic research and development in the Ministry of Education. By and large, the non-financial aspects of educational policies were developed at the very top rungs of the Ministry of Education and office of the President, were politically motivated (as in other countries), were not considered and debated by the groups impacted (for example, teachers and parents), and copied neo-conservative trends in the United States, even in the Arias administration, which was marked by social democratic policies in other sectors. In the present Calderon administration, educational policies are much more directly related to World Bank/Inter-American Development Bank conceptions of reform, primarily because a large loan was being negotiated with those agencies in 1990-91.

3. To prevent educational spending from increasing from the already greatly reduced levels of 1981-1982, three consecutive Costa Rican governments necessarily focused on holding down teacher salaries -- by far the largest component of educational spending -- and shifting the direct cost of school supplies to parents. This policy happened to be consistent with international agency ideology regarding the inefficiency and incompetence of the public sector and the efficiency and effectiveness of the private sector.[4]

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[4]Structural Adjustment strategies have been labelled in the region as "Neo-Liberal" policies. Neo-Liberalism is a political-economy approach based on incentives for privatization, deregulation, reduction of the role of the state and greater free trade and finance policies. Many critics will argue, however ,that Neo-Liberal policies in Latin America, in spite of the label, are the expression in developing countries of neo-conservative policies followed in the United States and the United Kingdom. See, for instance, Sergio Bitar "Neo-conservatism versus Neo-structuralism in Latin America", Cepal Review, N°34, 1988, pp. 45-62; and Atilio Boron "Latin America: Between Hobbes and Friedman" New Left Review N°130, November-December 1981, pp. 45-66.

4. The reaction of teachers' organizations was also a logical response to these financially-driven government policies. Teachers fought back through threatened strikes and in the courts to try to raise their salaries back to 1970's levels. Mainly because of the legalistic nature of Costa Rican society, they were largely successful, so that real teacher salaries rose sharply at the end of the 1980's.

5. Even if the required government reduction in public spending on education (as well as on other public services) was ultimately not successful, we argue that the "adjustment" process itself produced a negative effect on the shape and quality of Costa Rica's public education, at least at the secondary level. The attempt to hold down salaries and the teachers' reaction had important negative implications for educational expansion at the secondary level and special consequences for the distribution of education in the Costa Rican population. Access to higher levels of schooling for lower socio-economic class children became more restricted and different than in the past, and the general tenor of Costa Rica's human resource development changed. The policies also evoked a highly negative response in the form of lower teacher and parent morale. Therefore, the end result of the decisions made by successive governments was that costs of education were only somewhat contained but that secondary school enrolment and quality, most associated with the democratization of Costa Rican education, also never recovered from the impact of the crisis a decade earlier.

Is Costa Rica an Appropriate Setting for the Study? Costa Rica is not an entirely appropriate setting to study the impact of Structural Adjustment on education and public expenditure. It is a country exemplified by the stability of its political and economic institutions, and considered a model of democratic governance, rather unlike most other countries in Central America. Moreover, it has no military forces and spends very little on public security.

Compared with the rest of the Central American region, Costa Rica had produced remarkable achievements in its welfare policies, particularly in social security, health and education. For instance, the infant mortality rate was reduced from 84 per 1,000 live births in 1960 to 18 per 1000 live births in 1987; much better than the Central American infant mortality average of 62 per thousand. The pattern of mortality and morbidity of the population became similar to that of developed countries: life expectancy at birth increased from 62 to 74 years between 1965 and 1987; only 38.6 percent of children (0-4 years of age) suffer malnutrition, while the average for Central America is 58.5%.[5] As already noted, Costa Rica's population was, by the end of the 1970's, also one of the most schooled and literate in Latin America.

[5] UNESCO. Centroamerica y Panamá. Situación, avances, dificultades y perspectivas sobre escolarización, alfabetización y calidad de la educación. San José, August 1990, mimeographed.

However, despite these important differences, Costa Rica does share similarities with other countries that faced grave economic problems in the 1980's. In less than a decade, along with other countries in the region, its basic economic indicators deteriorated sharply. For instance, the devaluation of the local currency brought the exchange rate from 8.6 colones per dollar by the end of the seventies to 120.6 colones per dollar by 1991. After two decades of low inflation in the sixties and seventies, Costa Rica experienced inflationary pressures reaching 51.3 percent between 1981-1983, and achieved by 1989 a more moderate level of 16.5% of inflation. After having a real GNP per capita growth of 2.5% in the period 1961-1980, during the 1981-1989 period, real GNP per capita showed -0.6% of negative growth.[6]

A highly indebted country, Costa Rica was the first in Latin America to default, suspending payments of the commercial external debt between September 1981 until the end of 1982. By 1990, Costa Rica ranked among the top 30 debtors in the world, with a total external debt of $3.8 billion. Costa Rica is one of the three Latin American countries, jointly with Mexico and Venezuela, that have recently re-negotiated their external debts adopting the framework of the Brady plan.[7]

The drastic changes in the Costa Rican economy in the late 1970's also had a profound effect on Costa Rica's sui generis welfare state,[8] including its educational policies. The combined effects of the economic, fiscal and debt crises, and the short-term implications of Structural Adjustment policies shifted thinking at higher levels of government from a welfare (or benefits) view of schooling towards a financial view. It is this financial view, as in other countries with similar economic problems, that shaped government educational policy after 1982.

To understand the shift in thinking, and before turning towards specific educational policies, we

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[6]Banco Interamericano de Desarrollo. Progreso Económico y Social en América Latina. Informe 1990. Washington, BID, 1990, pp. 1-39; 86-93; James W. Wilkie (Editor) and Enrique Ochoa (Co-Editor) Statistical Abstract of Latin America, Los Angeles, UCLA Latin American Center Publications, 1989; Euromonitor International Marketing Data and Statistics 1991. London, Euromonitor, 1991, p.229; ECLA- United Nations. Economic Survey of Latin America and the Caribbean. 1988. Santiago de Chile, United Nations, 1989, pp. 233-255; The Economist Intelligence Unit. World Outlook. London, EIU, several years.

[7]On 10 March 1989, U.S. Secretary of Treasury, Nicholas Brady announced a new plan proposing the reduction of 20% of the principal and interest of the debt of 39 most indebted countries, including Costa Rica.

[8]Welfare policy is defined as government protection of minimum standards of income, nutrition, health, housing and education, which are assured to every citizen as a political right, rather than as charity. The welfare state is a particular form of the democratic liberal state in industrialized societies. Its origins have been associated with the industrial and financial reconstitution of the post-depression era in the United States, based upon a "social pact" (New Deal) and concertation policies between employers and labour. A striking feature of the welfare state is the new role of the state in the economy and enlarged public spending in both productive and non-productive sectors of the economy.

shall now provide a brief analysis of the economic and political changes in this period.

2. ECONOMIC CRISIS AND EDUCATION IN COSTA RICA: THE SETTING

Costa Rican development, like that of its Central American neighbours, has always relied on the export of primary products (bananas, coffee, beef, cotton) and the import of manufactured equipment and consumer goods. Until 1948, the economy was governed by what could be called a liberal-oligarchic state and development policy was essentially laissez-faire. But social and political pressures that had been building up against the agro-exporting class since the 1920's led to the "revolution" of 1948. Jose Figueres and his National Liberation Party overthrew the government, disbanded the Costa Rican army, and created a new democratic-bourgeois alliance that was more inclusive of the petite bourgeoisie, smallholders and the tiny industrial working class, and essentially opposed to the interests of the large agricultural exporters.

The result of the 1948 revolution was a more interventionist state that defined itself as playing a key role within a market capitalist economic development process - much in the Latin American tradition of the 1930's and 1940's. In practice, this meant (1) moving towards import-substitution industrialization (ISI) on a relatively small scale, including the formation of new state enterprises (CODESA, for example), increasing state participation in gross capital formation from 10 percent in 1948 to 23 percent by 1970, and developing a state managerial class; (2) using the state as a mechanism to redistribute post-tax income, mainly through health care, education and social security expansion; and (3) modernizing the state bureaucracy to meet these new goals. Even though the National Liberation Party (PLN) only held the presidency for about half the time between 1948 and 1978, it was able to achieve its programme by maintaining a majority in the legislative assembly except for the period of the opposition Ulate presidency (1949-53).[9]

Welfare policies and particularly education were strongly linked to this development strategy. Investment in the educational system was very high in the sixties and seventies, inspired by theories of human capital. These assumed that increasing the years of formal education will result in a more

[9]Sergio Ruben Soto (Editor) Estado y ajuste estructural en Centroamérica y el Caribe. San José, Confederación Universitaria Centroamericana, 1990.

productive labour force, higher private and social rates of return, and eventually higher social mobility.[10] With enlarged public sectors playing leading roles in welfare policies, the State became a key employer for educated labour, particularly university-trained middle class youth.[11]

The model was generally successful economically: in the period 1950-1970, economic growth averaged 6.2 percent annually, and in the 1970's, 5.6 percent. In per capita terms, this represented a 3.0 percent growth in income in 1950-1970, and a 3.4 percent growth in the 1970's, as the fertility rate declined. In 1979, the highest point for real per capita income in the post-World War II period, consumption was almost 80 percent higher than in 1960. At about U.S.$1625 per inhabitant in 1979, the average Costa Rican family was well off in world terms. Thanks to the growth of the Central American Common Market (formed in the early 1960's), Costa Rica's assembly industries grew in the 1960's and 1970's, and the country's economic structure changed. Table 1 shows that in 1970-1980, the proportion that agricultural output accounted for in the GDP fell steadily. In the early part of the 1970's, industry (manufacturing, transport and communications) became more important as the Central American Common Market (CACM) continued to expand, and in the second half of the decade, services, led by rapid growth in government spending (see Figure 2 and Tables 1 and 2), took the lead.

The model was also successful socially and politically. Costa Rica became a model of a democratic society in Latin America, controlled by coalitions of contending elites, but at least reasonably responsive to the aspirations of its citizens.[12] The response was reflected largely in the growth of government non-financial services (public consumption), including education, health care and social security. Such services had begun to expand shortly after 1948 from about 7 percent of national product

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[10]Between 1960-1970, the indices of growth for higher education and secondary education in Latin America were 246.9 percent and 258.3 percent respectively. Enrolment in primary basic education grew 167.5 percent. Carlos A. Torres The politics of Nonformal Education in Latin America. New York, Praeger, 1990, p.33.

[11]The crucial role played by middle classes in the configuration of the Latin American educational systems is highlighted in UNESCO-CEPAL-UNDP. Desarrollo y Educación en América Latina Síntesis General. Buenos Aires, 1981, Volumen 2, p. V-11-V-12.

[12]For instance, a comparison of per capita income levels (measured in dollars of 1970) in the region shows that the poorest segments of Costa Rican population perceived an average per capita income far better than in any other Central American country. The Costa Rican population, within the lowest two deciles of income distribution, earned $176.7 dollars by 1980 while its counterpart in the country with the next best average, Guatemala, earned only $111 dollars per person. Likewise, the population perceiving an income below the national average (third to fifth deciles) earned an average per capita income of $500.8 dollars, well above the second best, Guatemala, with $202.7 per capita (UNESCO. Centro America y Panama, op.cit., Table 4).

in 1950 to 10 percent in 1960, 13 percent in 1970 and 14 percent in 1978.[13] When combined with government investment, the figure rose from 8.4 to 23 percent between 1950 and 1978. By the end of the eighties, however, social and community services[14] spending alone accounted for more than 40% of public sector expenditure in Costa Rica. Employment in the public sector increased from 6 percent in 1950 to 16-18 percent in the late 1970's.

All this gave Costa Rica the reputation of being a "welfare state," top-heavy with government expenditure. But as late as 1975, its public sector had about the same proportion of gross domestic product (GDP) as other Central American countries - only Guatemala's public spending was significantly lower. The major difference between Costa Rica and the others was not total public spending, but the fact that only a small proportion of public spending was for "military security." Since the army had been dismantled in 1948, such security was limited to the country's police force. This allowed public spending to focus on social services and economic investment. Indeed, even compared to the United States and Japan, the public sector in Costa Rica is small.

In the 1960's and 1970's, the economy remained dependent on traditional commodity exports and, increasingly, on the economic health of its neighbours. The CACM provided markets for diversifying Costa Rican manufacturing, and tariffs protected the new industries from external (to the CACM) competition. Exports in the 1970's accounted for about 26 percent of national product. However, by the late 1970's, according to World Bank documents, demand for the country's traditional exports had lost its dynamism, demand for exports in the CACM had peaked, and the burgeoning state sector was severely restricting the economy's flexibility to adjust to changing international conditions. Since both government and the private sector borrowed heavily on international markets to finance continued growth after the 1973 oil crisis, by 1980 the economy was also faced by high indebtedness, with $885 million of private external debt, and $1,734.5 million of public external debt. With the second oil shock, the simultaneous decline in the prices of Costa Rica's traditional commodity exports and the rise in real interest rates on new borrowing, the economy went into a tailspin of declining GDP and high inflation rates in the 1980-82 period.[15]

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[13]Soto, op.cit., p.42.

[14]Includes expenditure on education, health, environment, social security, labour, housing, public services (Water Department, etc), communal development, culture and leisure.

[15]Villasuso, Crisis económica y ajuste estructural. San José, Editorial EUNED, 1990, p. 89, and Jorge Rovira Mas and Juan Diego Trejos S. El curso de la crisis de Costa Rica y las opciones de política económica

The World Bank's view is that the crisis of the early 1980's was caused by a number of factors, including: (1) the exhaustion of the easy phase of import-substitution industrialization; (2) the lack of capital for exporting and for creating new markets for export - labelled in some Bank publications as an "anti-export bias" - since the 1960's and 1970's development model was based on the expansion of domestic or at best regional markets; (3) uncontrolled growth of the public sector; (4) the impact of external shocks, especially the second oil crisis (1979) combined with lower prices for coffee and bananas; and (5) fiscal mismanagement. But it is unclear that there was an anti-export bias; rather, conditions for exports changed suddenly and the Costa Rican government had a difficult time adjusting - especially when an increasing fraction of public spending was devoted to servicing the debt.

With the 1981-82 recession, GDP and per capita income fell 9 and 12 percent respectively in two years (Table 1). Unemployment rose from 13 percent in 1980 to 24 percent in 1982. Inflation jumped to 80 percent annually. The fiscal deficit reached 14 percent of GDP and the external debt/GDP ratió, 149 percent. Debt service costs climbed to 90 percent of export revenues.[16] Agriculture regained relative importance as government services dropped sharply and private industry and services also suffered. As mentioned in the introduction, Costa Rica suspended payments on foreign debt.

The recovery after 1982 was relatively slow compared to past growth - 4.4 percent annual growth in 1982-1989 for GDP and only 1.0 percent annual growth in per capita GDP. This was an export-led recovery, with exports rising from 26 percent to 36 percent of GNP in the 1980's. It was only later in the decade that imports also increased again. At the same time public services recovered at about the same pace as GDP, but only after some lag in the mid-1980's. In the second half of the decade, government spending again reached about 26 percent of GDP. All this suggests that despite the setback of the early 1980's, the Costa Rican economy is again growing steadily, albeit at a slower pace than in the previous two decades.

Government spending slowed somewhat in its growth, but by the late 1980's, was as high, proportionately to GDP, as in the late 1970's (Table 2).[17] The main difference was that a much higher

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en el segundo lustro de los años ochenta. Instituto de Investigaciones Sociales. Facultad de Ciencias Sociales. Universidad de Costa Rica. Avances de Investigación N°53, 1985.

[16]Eugenio Días Bonilla, Structural Adjustment Programmes and Economic Stabilization in Central America. Washington, Economic Development Institute of the World Bank, 1990, p.14.

[17]Since total public spending in Table 2 includes capital investment by the Ministry of Public Works (see below, footnote 18), the percentage that recurrent government spending represents in gross domestic product is smaller than the approximately 20 percent throughout the 1980's shown in Table 2. However, since public investment fell drastically after 1984 (see the Public Works percent in Table 3), this means that government

fraction of government spending in the late 1980's went for interest on the debt than in the 1970's, and less for non-financial services, especially for economic and educational infrastructure, such as roads and school buildings (Table 3).[18] As can be seen in Table 3, the big decline was in public investment (public works), recurrent education spending, and recurrent health spending, while the big gainers were interest on the debt, social security pensions (the Ministry of Labour), and spending on housing. Other Ministries' share of spending stayed fairly stable until 1990, when they took cuts under the new administration. But these cuts may well have been restored in the 1991 and 1992 budgets.

Furthermore, Structural Adjustment policies of the 1980's kept real incomes down, at least for a few years, and especially in the government sector. Inflation slowed and economic growth may have been stimulated by the adjustment policies themselves. However, it is also possible that massive foreign assistance - mainly financial - was the main engine of growth in the 1980's.

Structural Adjustment Policies. Neo-liberal policies of economic stabilization and industrial re-structuring based on supply-side economics were forcefully advanced by the IMF and other major international lending agencies as a remedy for the crisis. Thus, Structural Adjustment loans gave birth to Structural Adjustment policies.[19] These policies, induced by international agencies, aim in the short term

> "to reduce the size of the fiscal deficit and of public expenditure; to apply a strict monetary policy to curb inflation; and to keep up positive real interest rates and a 'suitable' real exchange rate. The medium-term objectives, for their part, are to transform exports into the engine of growth; to liberalize foreign trade; to make maximum use of the market and reduce the presence of the State sector;

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recurrent spending as a percentage of GDP actually rose after 1984, perhaps as much as 3 percentage points (14 percent of 20 percent).

[18]The "total" for government spending in Table 3 includes capital spending since the Ministry of Public Works budget is largely a capital expenditure budget. However, the Ministries' budgets are essentially 100 percent recurrent expenditures.

[19]Dehesa, Mario and Inder Jit Ruprah "El papel del FMI en la crisis: deuda externa y crecimiento de América Latina" in EURAL La vulnerabilidad externa de América Latina y Europa, Buenos Aires, Grupo Editor Latinoamericano, 1985, pp. 229-246; Ferrer, Aldo "De la crisis de la deuda a la viabilidad financiera" in EURAL La vulnerabilidad externa de America Latina y Europa, Buenos Aires, Grupo Editor Latinoamericano, 1985, pp. 247-254.

and to promote a price structure without "distortions."[20]

Even before the crisis of 1979-82, the Costa Rican government had signed an agreement with the International Monetary Fund for bridge financing under what became "Structural Adjustment" conditions.[21] Indeed, the Carazo government did try to lower government spending in 1979-early 1981 in line with IMF guidelines, but then turned to a much more nationalistic stance in the face of more drastic IMF demands and, particularly, as a response to the Reagan administration's pressures on Costa Rica to turn actively against the Sandinista Revolution.[22] In 1981, President Carazo asked the IMF representative to leave the country and suspended interest payments on the debt. International assistance from the United States was then cut severely, further aggravating Costa Rica's already worsening crisis.[23]

The Carazo regime was unable to make the austerity changes required by the difficult economic conditions of the late 1970's mainly because it had neither a concrete alternative to the IMF programme nor, as the product of a splinter party, the political base to implement the IMF demands. The depth of the recession caused by this lack of implementable policy probably made subsequent governments more dependent on foreign aid, and made it strikingly clear to them that they had "little choice" but to turn to the IMF and follow some negotiated version of its guidelines for economic recovery. Both the Monge and Arias governments that followed Carazo did just that. To a large extent, they were able to insulate such "capitulation" to Neo-liberal policies from popular criticisms by resisting the Reagan administration's efforts to turn Costa Rica into a military platform for anti-Sandinista operations.

The National Liberation government of Luis Alberto Monge (1982-1986) should be credited with taking the first steps towards economic stabilization between 1982-84, followed by what has been characterized as a "vacillating" Structural Adjustment programme during 1984-86, trying to reconcile

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[20]Bitar, op.cit. p.45.

[21]In our interview with former President Rodrigo Carazo (13 May 1991), he pointed out that he had to deal continuously with the IMF from 1978-1981.

[22]Interview with President Carazo, and Soto, op.cit.

[23]Carazo was a bitter critic of the Somoza dictatorship, supporting the Sandinista insurgency. After the Sandinist revolution, Carazo opposed U.S. policies towards Nicaragua. Since the government of Costa Rica could not settle its difference with the IMF, and given skirmishes in foreign policies, AID temporarily suspended its aid to Costa Rica. The conflicts between the IMF and the Carazo government were many. An agreement reached in March 1980 was suspended in May 1980. A new agreement reached in June 1981 was again suspended in December 1981.

Costa Rican reformism with Neo-Liberalism.[24] This process came to be characterized as "heterodox" Structural Adjustment.[25] The Arias government (1986-1990) continued this type of heterodox model. In fact both Monge and Arias attempted to implement a Structural Adjustment that neither undercuts employment nor lowers real wages. Furthermore, the state attempts to uphold its leading role in social policies - i.e. the reformist tradition of the Costa Rican state controlling market forces.[26]

Within a few months of his election in 1982, President Monge was in Washington negotiating a new agreement with the IMF and coming to terms with AID for massive new funding. This began a series of stabilization measures in 1982-1985 with the help of IMF short-term loans, Structural Adjustment loans (SALs) from the World Bank[27] and the Inter-American Development Bank, and development aid from USAID - all this on condition that the government take steps to promote exports, cut domestic private and public consumption, reduce tariffs, and promote private enterprise - including the privatization of enterprises of the government holding CODESA (Corporación Costarricense de Desarrollo).[28] But in fact, the Monge government used the AID loan as a breathing space to stimulate demand in 1983. The economy responded, but inflation and balance of payments worsened. It was not until 1984 that the government instituted drastic fiscal measures and a macroeconomic policy mix supportive of a real devaluation. A marked fall in the rate of inflation followed.

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[24]A number of economists agree with this periodization, including Noel Ramirez Costa Rica: estabilización y ajuste estructural, San José, 1989, And Edgar Fürst Costa Rica 1982-1987; Una aplicación heterodoxa 'sui generis' de polítcas de ajuste estructural, San José, 1989.

[25] Edgar Fürst defines this heterodoxy as the combination of the three main currents. First, the rationalist supply-side school (synthesizing structuralism and post-Keynesianism), heavily represented in World Bank settings. Second, the pragmatic and radical schools of neo-structuralism in Latin-America, represented by ECLA. Third, the school of "adjustment with a human face," prevailing in UNICEF and the Society for International Development (SID). Fürst,op.cit. p.180. Ffrench-Davis, Ricardo "An outline of a Neo-structuralist Approach" Cepal Review, N°34, April, 1988, pp. 37-44.

[26]Villasuso, op.cit., Rovira and Trejos, op.cit., Héctor Galván S. "Politicas de Ajuste en Costa Rica y República Dominicana (1982-1987). "Revista Ciencias Económicas. Vol. VIII, N°1, 1988, pp.67-81. "El nuevo modelo de desarallo de Costa Rica" Revista Ciencias Económicas. Vol. VIII N° 2, 1988, pp. 51-66.

[27]Former Minister of Planning during the Monge Government, economist Juan M. Villasuso analyzes the strategy of development in Costa Rica during this period in his "Reflexiones sobre la nueva estrategia de desarrollo costarricense" in Crisis económica y ajuste estructural. San José, Editorial Euned, 1990, pp. 87-115.

[28]CODESA's subsidiary enterprises accumulated a deficit of 10 billion colones. This deficit was eliminated thanks to a USAID grant of $ 150 million in 1987. See Wilburg Jiménez Castro. op.cit. pp. 231-232.

This set the stage for a stabilization programme in 1985 with the help of IMF standby funds, a World Bank Structural Adjustment loan (SAL-I) of $80 million, $75 million in new commercial money, and a rescheduling of Costa Rica's 1985-1986 debt payments to both private and government creditors. The colon was devalued for only the second time in 20 years. The main aims of SAL-I were to (a) develop - through trade liberalization - new exports of manufactured and agricultural goods with higher domestic value added; (b) create incentives for private sector investments; and (c) reduce the size and spending of the public sector and make its management more efficient.

But the immediate effects of the 1985 stabilization programme were not very positive. One expert claims that the 1985 Structural Adjustment policies were "brutal tools" that did as much harm as good in stabilizing the economy. Deteriorating terms of trade combined with the devaluation and higher taxes to swell inflation to 15 percent, increase the public sector deficit (it rose to 7.5 percent of GDP in 1985), and raise the deficit in the balance of payments to an all-time high of 8 percent of GDP.

Nevertheless, when combined with a rise in coffee prices[29] and a fall in petroleum prices, the policies began to pay off in 1986. The colon was devalued in real terms by 10 percent, aggregate demand was reduced, non-traditional exports increased sharply and both the balance of payments deficit (3.6 percent of GDP) and public sector deficit (5.5 percent of GDP) were reduced. Real GDP grew by 4.6 percent. In 1987, real growth continued and non-traditional exports continued to increase. The overall deficit of the non-financial public sector was eliminated.

The Bank came in with a second SAL (SAL-II) in 1988 for U.S. $100 million, again with the same purposes. This second loan was set to be repaid in 17 years, with 5 years of grace, and an interest rate for the first semester of 1987 of 7.65%. As a tandem measure, the Japanese government agreed to lend Costa Rica an additional U.S. $100 million with softer terms, including 25 years for repayment, 7 years of grace, and 2.9% of interest for the life of the loan.[30]

The Costa Rican economy went through economic restructuring during this period, especially in the overall shift of its production towards non-traditional exports outside CACM. But exports as a whole

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[29]International coffee prices have historically set the country's economic pace. Former president of Costa Rica, Ricardo Jiménez Oreamuno, once said sarcastically that the country's best Minister of Economy is a good coffee price. See Jiménez Castro, op.cit., p. 231.

[30]This second SAL was distributed as follows: $60 million dollars to increase the capital of the four public commercial banks of Costa Rica, $40 million to be used as Costa Rica's counterpart to other international loans, and $100 million to amortize Central Bank of Costa Rica losses form subsidies to guarantee prices for the National Council of Production, insurance losses for lost crops, and differentials in rates of exchange. See Jiménez Castro, op.cit., p. 231.

were not greatly stimulated, given that liberalization of trade through lower tariffs was a cornerstone of the programme. Prior to 1986, the system of tariffs for raw materials and intermediate goods, capital goods, and final goods averaged 52.8 percent. When SAL-I was implemented, tariffs were lowered in 1986-87 to a mean 26.4 percent with a standard deviation of 21.4 percent. With SAL-II, tariffs went down again in 1988-89 to a mean 16.4 percent with a standard deviation of 12.9 percent. In addition to these changes in the structure of tariffs, there were drastic changes in real exchange rates: by 1987, the colon had been devalued in real terms by 40 percent, and smaller devaluations followed in 1988 and 1989.

Yet, the effect of these changes on total exports was not significant: between 1979 and 1984 (before the major changes in tariffs and exchange rates), exports as a percent of GDP rose from 27 to 34 percent. The ratio has not risen since. Furthermore, since 1984, imports exceeded exports every year except 1986. So the main effect of Structural Adjustment, if any, was in the shift of exports from CACM to non-CACM markets[31] - from 14 percent of exports in 1983 to 28 percent in 1987.

Not surprisingly, given the "heterodox" nature of the Costa Rican model in this period, the positive effects of Structural Adjustment on reducing public sector consumption were also not large. Although the deficit of the public sector narrowed, some of this was the result of increased taxes rather than significantly lower public spending.[32] Employment in the public sector actually increased after 1985, but at a slower rate than in the 1970's. Public sector spending climbed at about the same rate as GDP after 1984 (see Figure 2), mostly because of increased interest payments and even though some sectors of public spending did fall - primarily public works (see Table 3). Despite this relative lack of public sector adjustment, the second phase of SAL-I (1987) and the first phase of SAL-II (1988) were approved.

Finally, two competing strategies, an orthodox and a heterodox model of Structural Adjustment, are being put forward within the conservative Calderón administration (1990-1994). Some members of

[31]Several economists we interviewed in Costa Rica complained that the second SAL, linked in the National Assembly to a future Sal III loan to reactivate the economy in 1992-93, ignored the possibility that CACM economic activity would increase. The end of the civil war in Nicaragua, UNO's victory, fresh U.S. loans to Nicaragua and eventually to Panama, and the possible cessation of hostilities in El Salvador and Guatemala could fuel economic growth in CACM. A different point of view is offered by Nelson when she argues that "recognition is now widespread that future development cannot rely substantially on the recovery of the Central America Common Market". In J. Nelson (ED.) Economic Crisis and Policy Choice. The Politics of Adjustment in the Third World. Princeton, N.J.: Princeton University Press, 1990, p. 361.

[32]Costa Rica passed a tax package in November 1987 and added new taxes on automobiles in 1988 - these were intended to raise revenues equivalent to 1.3 percent of GDP.

the economic cabinet are advocating a sweeping "orthodox" reform of the state through privatization of non-essential services, and a rapid and sizable reduction of public employment. In this model, salary increases would be modest and transfers of public funds to higher education and social security would be rationalized.[33]

At the same time, other "heterodox" reformist policies are being sustained, including the goal of creating a productive social sector (e.g. cooperatives, micro-enterprises) with heavy support from the state, following the Taiwan model.[34] Furthermore, this group within the government is pressing for increases in salaries commensurate with increases in the cost of public services. Finally, as a stop-gap measure, a poverty programme has been advanced.[35] This plan will benefit 25,000 of the 90,000 Costa Rican families considered below destitution levels (critical poverty).[36]

The problem of service on the large ($4.5 billion) external debt (recently reduced by debt forgiveness to less than $3 billion), which was to be solved by Structural Adjustment policies, continues to plague Costa Rica and is still being resolved by new foreign loans and debt restructuring. Nevertheless,

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[33]Thelmo Vargas, Minister of Economy (Hacienda) "La defensa del consumidor" Foro de la Nación. April 10, 1992, p. 16a. To this extent, there is a new project in gear to modify present legislation on retirement. La Gaceta, Diario Oficial 11 March 1991, N°49.

[34]Costa Rica is one of the few Latin American countries that has never recognized China, sustaining continuous diplomatic relationships with Taiwan. Costa Rica not only receives aid and external assistance from Taiwan. Our interviews show that a number of members of the government see the Taiwan export-led model based on family ownership and/or small enterprises, with appropriate support from the public sector affordable credit and some protectionism, as very relevant for Costa Rica's Structural Adjustment.

[35]Ministerio de Planificación. Plan de promoción social (documento de trabajo). San José, 1990.

[36]The poverty programme includes food and housing subsidies, as well as social security for disenfranchised workers. A system of food-stamps will benefit 113,139 individuals and is seen as "compensating the effects of the politics of stabilization and Structural Adjustment on the families with the lowest incomes." [Ministerio de Planificación, Plan de promoción social, Op.cit. page 9]. The plan also addresses the electoral promise of President Rafael Angel Calderón to continue building public housing. The instrument is the so-called free housing voucher (bono de vivienda gratuito). A government donation (voucher) of 318,000 colones per family will allow identified needy families to build their own house through self-help methods. The fact that the government will not be in charge of building public housing but will limit its intervention to financing is a departure from the Arias strategy. Arias mentioned in our interview that he was heartened to know that, during his term of office, a house had been built every twenty minutes. Indeed, Calderón's strategy is more consistent with an orthodox approach to Structural Adjustment - privatizing the building of public housing. Government housing policies have been associated with emergent political activism of sub-urban communities, sometimes grouped in social movements or "Frentes de Viviendas." CEPAS, op.cit.

the size of the debt as a percentage of GDP has fallen from its high of 1.4 times GDP in 1983 to par with GDP in 1989. Interest payments on an accrual basis still take about 18 percent of export receipts.

Structural Adjustment is designed to increase public savings by reducing public consumption. Public spending fell in public works - largely public capital investment (including school buildings) and not public consumption - and did slow in those two principal areas - education and health care - most associated with investment in human capital. As we shall show, the drop was greatest in secondary education. A particular target of adjustment policies was allegedly social security spending, but this rose rather than declined. The minimum retirement age was lowered between 1950 and 1985 -- in 1950, it was 65 years old, and in 1985, it was 57 years-old for men and 55 for women. Social security increased steadily from the levels of the 1970's and even in the late 1980's - from 1.5 percent of GDP in 1986 to 1.6 percent of GDP in 1987. Two special funds of "Magisterio" (teachers) and "Hacienda" (central government employees) within social security represent 80 percent of total spending on pensions and benefits.[37]

Structural Adjustment and Income Distribution. Although most analysts have reasoned that Structural Adjustment makes income distribution more unequal - unemployment increases, which hits the poor harder than the middle class, whereas the rich benefit from the lower prices on imports and the new opportunities afforded by privatizing the economy - because of the large amount of external support received, this may have not been the case in Costa Rica.

Economic growth combined with greater reductions in wages for public than for private employees have reduced unemployment by the late-1980's and hit college-educated Costa Ricans' (a high fraction employed in the public sector) income somewhat harder than those with less education. The very rich have undoubtedly become richer, but the upper middle class probably lost as much or more income than middle income workers in the Structural Adjustment process (see Tables 5 and 6).[38] There is also evidence that incomes within the Civil Service did not become significantly more unequal (or equal) during Structural Adjustment (Table 7). Thus, within government, income distribution remained fairly stable, although, it did become more unequal during the early years of the adjustment process. Yet, there is also evidence that poverty seems to be growing in Costa Rican suburban areas and in the provinces of

[37]See Contraloría General de la República, various documents.

[38]The Gini coefficient of household income appears to have remained unchanged since 1977. See World Bank Costa Rica: Public Sector Social Spending, October 1990, Table 1.6.

Guanacaste, Puntarenas and Limón.[39] Data indicate that although poverty has declined since 1983, it remains considerably higher than in 1977, both in relative and absolute terms.[40] Health indicators have not improved, and diseases previously under control are increasing, including chicken pox, malaria, infectious diarrhea, etc.[41] Between 1981-1988, salaries lost 7.2 percent their real value.[42] CEPAS estimates that one quarter of the total active economic population is employed in activities outside formal labour markets.

Orthodox economic hard-liners seem to have the upper hand, advocating a more restrictive salary policy. With inflation close to 25 percent in 1991, prices for essential services were disproportionately increased: 23.4 percent for energy, water and telephones, 33.8 percent for education out-of-pocket costs, 53.3 percent for transport, and 24.4 percent for health care. Salaries increases for the first semester 1991, on the other hand, were highly restricted. While trade unions lobbied in the National Council of Salaries for a 35.6 percent increase, employers suggested a cap at 9.35 percent. The government decided for 9.78 percent. This salary increase is in fact lower than price increases in public services and closer to employers' figures than to trade union demands. The active intervention of the authorities of the Central Bank in the negotiations, prompted the Minister of Labour to resign.

Structural Adjustment salary measures are met with greater belligerence from the middle and lower classes. Small agricultural producers, farmers and "campesinos" have become more organized in defending their interests: before 1970, only two such organizations existed, with 6,599 members. In the period 1971-1980, these organizations increased to 24 with 7,600 members altogether. In the period 1981-1990, they peaked at 167, with a combined membership of 36,233 individuals.[43]

Middle and lower classes attempting to regain benefits obtained in the seventies or fighting against the deterioration of their standards of living are successfully challenging state policy in labour courts and in the constitutional court. In 1989-91 a number of class-action suits were brought to the courts.[44]

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[39]Centro de Estudios para la Acción Social (CEPAS) Ajuste estructural y desajuste social. Documento de Análisis, N° 11, 1990, p. 18.

[40]World Bank Costa Rica: Public Sector Social Spending, October 1990, Table 1.5.

[41]Ministerio de Planificación, Evolución Económica y Social de Costa Rica. 1988. San José, Departamento de Publicaciones de MIDEPLAN, 1989, p.88.

[42]CEPAS, op.cit.

[43]CEPAS, op.cit. p.21.

[44]CEPAS, op.cit.

Successful examples are a teachers' law suit that put teachers with a higher education credential on a level with professionals working in the civil service, and salary law suits by health care technicians.

The court ruling produced substantial salary differentials in favour of diploma teachers. This court decision puts pressure on the Ministry of Education not only to obtain additional funding to meet its legal obligation, but also to increase salaries for "aspirantes", "autorizados" and technicians.

With its Plan of Labour Mobility, the Calderon government targeted 6,700 public employees for layoffs on 11 August 1990. In early December, cuts required of the Ministry of Education were met by laying off 2,000 cooks from the school meals programme.[45] Laid-off employees obtained a stay from the court and the case is currently under litigation.

There are differences in union activism in the private and public sector. Trade unions in the private sector are divided, having experienced significant failures in national strikes (i.e. strikes in Guápiles in 1982, or the agricultural workers strike in 1984, South Pacific). Furthermore, "Solidarismo", a workers' association at the firm level has been steadily replacing unions as the workers' representative and, in exchange for certain prerogatives and benefits, usually refrains from using highly conflictive tactics such as strikes. The trade unions in the public sector are becoming increasingly active in the defence of wages and working conditions. For instance, the recently organized Permanent Council of Workers - a co-ordinative entity of workers' federations - organized a national strike on 5 October 1990. Likewise, university trade unions and nursing technicians trade unions have been very vocal in their demands against Structural Adjustment policies.[46]

In overall terms, then, Structural Adjustment policies have wrought changes in the Costa Rican economy and have probably contributed to improved economic growth, especially through increased lending, debt restructuring, export-stimulation policies and by holding down aggregate domestic demand. As a result of such containment of demand, real income and consumption remain below 1980 levels. Economic growth in the private sector combined with higher than average declines in public employee incomes have apparently kept income distribution from becoming more unequal. It was foreign assistance that provided much of the impetus for economic growth in this period. But gross domestic capital formation as a percentage of GDP was no higher at the end of the 1980's than it was at the beginning

[45]Facing charges that the Ministry intended to phase out the school meals programme, the Minister argued that these lay-offs were justifiable. Salaries constitute 60 percent of the school meals budget and, according to the Minister, the laying off of non-essential personnel will allow the government to buy more food for school meals. La Nación, 11 December 1990, p. 4-A.

[46]CEPAS, op.cit., N°37, p.11.

and - as we will go on to suggest - investment in human capital fell, and fell in some unexpected ways.

The Crucial and Growing Role of Foreign Assistance. Before analyzing the relationship between educational policies and Structural Adjustment policies, it is important to note that foreign assistance to Costa Rica was a major factor in enabling the economy to emerge from the crisis of the early 1980's. Because of the very large amount of assistance, it is even impossible to attribute the recovery to the adjustment policies themselves.

Between 1983 and 1989, Costa Rica received almost $2 billion in financial and technical assistance funds (see Table 8) from bilateral and multilateral sources (most from USAID, the World Bank, the IMF, and the Inter-American Bank, in that order). This came to about $110 per capita annually, or 7 percent of average per capita income in this period.[47] Much of the aid was used to cover balance of payment deficits and to enable the government to pay interest on the debt without drastically cutting public services or curtailing imports in ways that would hinder economic growth. In effect, the large amount of assistance per capita enabled Costa Rica to recover economically in ways that other debt-burdened Latin American countries, such as Mexico, Argentina, Brazil, and Costa Rica's neighbour, Nicaragua, could not. It also helped in the Costa Rican case that the assistance was essentially all economic, not military.

Such massive foreign assistance has made Costa Rica more dependent than ever on foreign "expertise" in defining how the economy and society will develop in the future. Since Costa Rica's governments are now convinced that economic growth - hence their legitimacy - depends on foreign aid, and foreign aid donors, in turn, "require" certain conditions to be met, Costa Rica is gradually turning into these donors' vision of its economy and society. As we will show below, this increased reliance on foreign aid and expertise is also shaping the education system.

That Costa Rica received this large amount of foreign aid is no accident. The country's strategic location in the 1980's during a period when the United States was obsessed with the Sandinista threat, its democratic form of government and the possibility that Costa Rica could become unstable politically should the economy continue to sink made it a logical choice for U.S. foreign aid efforts. Even though international agencies such as the World Bank and the IMF were important sources of Structural Adjustment funding, the bulk of financial (and total) assistance in the 1980's came directly from USAID.

[47]This would be the equivalent of giving Mexico $12 billion annually in foreign aid. This figure does not include payments of arrears of Costa Rica's external debt, totalling $908 million in 1982 and 1983.

3. EDUCATIONAL POLICIES UNDER STRUCTURAL ADJUSTMENT.

It is in this context of financial "carrot and stick" incentives by USAID, the World Bank, and the Inter-American Bank that educational policy was developed in the mid- and late-1980's and early 1990's. The key variable for policy makers was educational spending, and because of its overwhelming importance in recurrent costs, the main element in containing such spending was containing teacher salaries (see Tables 4 and 14). The containment of teacher salaries has played this key role in three successive administrations (despite their rather varying political ideology), but strictly speaking the educational policy response to Structural Adjustment began during the Arias administration (1986-1990).[48] Therefore, only two educational administrations have been in charge of implementing Structural Adjustment policies in education. The first was headed by Francisco Antonio Pacheco, Minister of Education in the Arias government, and the second by Marvin Herrera Araya during the present Calderon government.

Policies in the Arias Administration. Although the Liberación Nacional government was formally Social Democratic and characterized by progressive policies in both domestic economics (as described in Section 2, above) and its position vis-a-vis the U.S.-Sandinista conflict, its educational policy was essentially neo-conservative.[49]

Why was this the case? Officially, the Arias administration was "alarmed" by the decline in student performance (increased dropout) and the shortage of qualified teachers. Primary enrolment was about the same as in 1977, and secondary enrolment had dropped sharply (Tables 9 and 10). But unofficially, the new education minister faced a very different and more complex political problem: teachers had seen essentially no increase in their real salaries in 1982-1985 after the sharp (30-40 percent)

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[48]The first Structural Adjustment Loan was negotiated in April 1985 by the Monge administration and implemented by the Social Democratic (Liberación Nacional) Arias administration (1986 - 1990). The second Structural Adjustment Loan was approved in 1989, also implemented by the Arias Administration and the Social Christian administration of Calderón (1990-1994). Thus, the same political economy programme was implemented under the leadership of two different political philosophies. During the discussions on SAL II, 3 July 1989, both presidential candidates, Castillo and Calderón, declared their unqualified support for the SAL II programme.

[49]There are many parallels between Education Minister Pacheco's rationale for his policy programme and those advanced by the Reagan administration in the United States (as reflected in the 1983 report A Nation at Risk, or Mortimer Adler's The Paidea Proposal).

declines in the early 1980's (Table 14). Meanwhile, workers in the private sector and non-teaching government workers had seen gains in real income, even if these had not, in the case of government workers, come close to reaching pre-crisis levels (Table 14). Teachers' unions were pressing hard to redress this situation. Yet, if it hoped to satisfy foreign lenders and the terms of Structural Adjustment, the Arias administration could not allow teachers salaries to rise.

The new minister, Francisco Antonio Pacheco, tried to solve the dilemma of lower enrolment, increased student dropout, and dissatisfied teachers by blaming teachers publicly for "mediocre" education.[50] Blaming teachers would give teachers' organizations less support in their demands for higher salaries and would legitimize alternative (non-teacher-centred) means of improving education. This was precisely the same policy being pushed by the Reagan administration in the United States during that period.

Thus, while criticizing teachers and school personnel in general, the administration launched a back-to-basics educational "modernization" reform shortly after it took power in 1986.[51] The Pacheco reform proposal was intended to improve the "efficiency" of educational production, and consisted of three specific projects. First, the introduction of microcomputers and computer literacy in the classroom. With the operational support of the Fundación Omar Dengo and generous external funds, this project was considered the most important educational innovation of the Arias administration, designed together with IBM to serve as an international model and to put Costa Rica "on the map" educationally.[52] Second, a national testing system for the senior years of the first, second and third cycle, including tests in mathematics, Spanish, science, social studies and English, and a test for Bachilleres (High School Senior). A passing grade in all subjects, including a foreign language, writing and orthography, grammar and

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[50]Although we were unable to interview Pacheco himself, an interview with former president Arias suggests that the administration, including the former president himself, had a very low opinion of Costa Rican teachers, thought that they were the principal reason that Costa Rican education was in trouble, and considered that educational reforms, to be successful, had to introduce increasingly "teacher-proof" education.

[51]"Modernizing the country does not only imply introducing advances in science and technology. Above all, it is to train citizens capable to respond, with knowledge and sensibility, to the requirements of the future. Citizens capable of acting in a rational manner, using a strict logic". Ministerio de Educación Pública . Memoria Final, Período 1986-1990. San José, Costa Rica, 1990, p.90.

[52]In his analysis of the international repercussions of Costa Rica's educational policies, Minister Pacheco mentioned that at the opening session of Education for All Conference in Jomtien, Thailand, an audiovisual showing children and school programs from all over the world, included only two programs from Latin America. The Foundation Omar Dengo program for computers in the classrooms was one of them. Memoria final, op.cit., p. 141. Altogether, more than 220,000 children in more than 100 computer classrooms have been introduced to computer literacy.

literature, sciences, mathematics and social studies was a prerequisite for graduation. Third, the CCC, "Colegios Cientificos Costarricenses", or Costarican Scientific Colleges, for gifted children, were an avenue to improve the international competitiveness of Costa Rica through advances in science and technology. In addition, a number of controls were imposed on teachers and students. These included, among others, a canon of minimum contents to be taught, mandatory reintroduction of cursive writing for all pupils, the same uniform (the "uniforme único") for students in all public schools, compulsory daily written lesson plans for teachers, more quizzes and semestral examinations, and a longer school calendar.[53] Emphasis on rationalization of educational administration, a more efficient accounting, administrative system, data base,[54] and school registry, and functional decentralization by regions was also part of the package.

How were the ideas for the reforms developed? Although we were unable to interview (now former) Minister Pacheco, there is no evidence that they were based on research and development in the Ministry. For one, there is no capacity for such research. "Researchers" collect educational statistics and undertake projections of educational needs, spending, and so forth. But they do not write policy papers based on evaluative research. Secondly, in our interview with former president Arias, he made clear that the decision to make Costa Rica a model of computer education in Latin America was based on a "window of opportunity" in which IBM and other donors were willing to provide funding for a massive effort in computer education as a showcase project. Such funding was not readily available for other investments, such as textbooks or school materials. Hence, the project was initiated because of its political visibility and the availability of external financial support, not because the Ministry or anyone else had done a study that showed computer education to be the most cost-effective form of improving student performance.

Thus, the Pacheco reforms were well founded in the abstract (based primarily on similarly abstract reforms proposed for U.S. schools), but they had little to do with the Costa Rican problem,

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[53]Memoria Final. op.cit. At the turn of the century, schools operated with a calendar of 240 working days, 10 months a year, six days a week (Monday to Saturday), five hours a day. The current school calendar has 172 working days, nine months, five days a week, five hours a day. In practice, school days are restricted to 150 working days per year. School curriculum assumes 925 hours/lessons per week, 48 minutes each, equivalent to less than four hours daily. In total, they get 600 lessons/hours annually, far short of the 925 estimated to be needed to complete required plans and programmes successfully. In "unidocente" schools, however, since teachers must spread their time among children in different grades, pupils receive 22 hours/lessons of 40 minutes each. This comes out to 176 minutes a day or less than 3 hours. In 150 days, they get 450 hours/lessons, much less than their urban counterparts. Rojas, op.cit. p.19.

[54]For instance, as we have argued, there are no accurate figures of teachers (as physical persons) working in Junior High and High Schools.

which resided in the low morale, low pay, and conflictual relation with the state of Costa Rican teachers. The reforms introduced sought to reduce financial pressure on the state by delegitimizing teachers as political actors. Yet, this inherently lessened the chances that any educational reform could succeed because it increased conflict between those who were essential to the reform - the teachers and school principals - and the state. In fact, enrolment in primary education did rise about 15 percent during the Arias administration, but secondary enrolment remained stagnant. Otherwise there is little, if any, evidence that the reform had any effect on Costa Rican education. The lack of impact was due primarily to the mutual antagonism between the reformers and the key group needed to implement the reform: Costa Rica's teachers.

At the same time, the Arias administration's policies also failed to hold down teacher salaries. At the end of his term, Minister Pacheco wrote that the Arias government achieved its reform goals by generously funding education. He claimed that between 1986 and 1990, government spending on education relative to total public spending increased from 19.1 percent to 25.2 percent.[55] Others disagree: Fernando Reimers contends that during the Arias government, the priority given to education decreased relative to other areas of government expenditure. Arias' electoral campaign promised an ambitious plan in public housing,[56] and Reimers claims that this shift in priorities negatively affected education and that educational expenditure fell.[57] We have already documented in Tables 2 and 3 that spending on education grew much more slowly in the 1980's than in the 1970's, and fell significantly as a proportion of both GDP and total public spending. But most of the drop occurred in the steep recession of 1980-82, not during the Structural Adjustment period. Our data suggest that in real (1985) colones, recurrent educational spending grew from 8.8 billion in 1986 to 10.5 billion in 1990, an increase of 18 percent. This represents a slight increase of public spending both as a percentage of GDP (from 4.2 to 4.3 percent) and total public spending (from 19 to 20 percent). So, although Pacheco's figures are exaggerated, in essence, he did increase educational spending. However, all our interviews suggest that this increase - far from an intended outcome - should be considered a failure in terms of the policies proposed by Pacheco in 1986. Educational spending did not rise because computer education reached into every classroom; nor did it increase because of materials available for teaching. It was the result of

[55]Memoria Final, op.cit. p. 129.

[56]In our conversation with former President Arias, he emphasized that his key social programmes were "computers and housing".

[57]Reimers, op.cit. p.37.

sustained strike threats and court action by teachers. The administration gave in, against its wishes, to teachers' demands for real salary recovery.

Pacheco's Memoria Final suggests that teachers' trade unionism and teachers' attempts to improve real salaries were a constant preoccupation of the government. Unhappiness with quality of education and unionization resulted in teacher "bashing".[58] Yet, salaries were improved considerably in these four years despite the administration's initial severe resistance to teacher demands and their continued opinion that teachers themselves were the single greatest barrier to educational improvement: 138 percent increase for high school teachers, between 112 to 134 percent for elementary school teachers (diverse categories) and 113 for principals.[59] We will discuss this in more detail below.

The Pacheco policies were therefore developed as a way of making education more "productive" while holding down teacher salaries, a copy of the neo-conservative educational agenda being pushed in the early 1980's by the Reagan administration, but in the Costa Rican case motivated by the exigencies of Structural Adjustment deficit-reduction requirements. The policies failed to accomplish either objective (just as the Reagan policies failed either to hold down educational costs or to improve student performance at school).

Policies in the Calderon Administration. The conservative Social Christian government of President Calderón, with Minister of Education Marvin Herrera, has taken a middle-of-the-road position towards education since taking office in 1990. Coming from a traditional "normalista" background, combining the liberal philosophy of the old "école normale" with Dewey's progressivism, the political philosophy currently prevailing in the Ministry of Education does not link education to an "ethic of production" -- the prevailing concept in the previous administration.

The General Plan of Education[60] calls upon the traditional (humanistic) values of Costa Rican democracy, and since education is seen as the forging of democracy, criticisms of elementary and secondary school teachers are limited. Most of the problems besieging education are attributed to the economic crisis, shortage of qualified teachers, and the numerous errors of the previous educational administration. The General Plan is by and large a political document, framed in political terms. The Calderon administration appears to have put the struggle with teacher salaries on a back burner, largely

[58]Memoria Final, op.cit. p.15.

[59]Memoria Final, op.cit. p.117.

[60]Ministry of Education. Plan General de Educación. San José, 1990.

because salaries are now a function of legal settlements out of control of the political process. Indeed, by appealing to the traditional values of Costa Rican educators, there is an attempt to reincorporate teachers into the political and educational project.

However, the Herrera policies are necessarily just as financially driven as those of previous administration. Because of teacher's legal victories, it is not possible to contain spending by holding down teacher salaries. Instead, supported by World Bank policy briefs,[61] the Ministry is moving in two other directions to hold down spending: (1) the accentuation of the "natural" attrition of university-trained, higher-paid teachers in primary and secondary school and their replacement with secondary trained teachers ("aspirantes") supplemented with in-service training; and (2) the reduction of subsidies to public universities, seen as an enclave of privileges.[62] This view of the universities seems to be a more general, government-wide perception not restricted to the Ministry of Education.[63]

Although we cannot prove that World Bank educational policies are the basis for the Herrera positions, it was evident in all our meetings at the Ministry that the World Bank/IDB education loan is crucial to the administration's educational plans, and that World Bank representatives are dictating the loan's educational policy content. In one such discussion where teacher training strategy was the issue, the Bank made clear that in-service training of secondary school-educated teachers was far more desirable than employing university-trained teachers, as Bank research had shown for other countries.[64] The Ministry has no research basis for countering such assertions, particularly when the Bank has argued that:

> "Increasing the general education requirement for primary school teachers could be unaffordable in many low-income developing countries. Civil service pay scales are

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[61]See World Bank, Costa Rica Public Sector Social Spending, Sector Paper 8519, World Bank, 1990.

[62]For instance, in the Plan, op.cit. p. 14, it is argued that the budget of the Ministry of Education has decreased by 10% in the past decade. Meanwhile, the budget for higher education, particularly for the Universidad de Costa Rica, has steadily increased, thereby implying that there is a less than acceptable distribution of resources. The Ministry suggests that it cannot improve educational quality if it "does not have adequate financing".

[63]In November 1990, the Universidad de Costa Rica experienced serious financial difficulties. The government did not transfer funds on time, forcing the University to borrow money from private commercial banks to meet its payroll. There are many speculations about this incident, from those who argue that it was a pressure tactic from the government asking for sweeping changes in the patterns of educational expenditures in universities, to those who see an attempt by factions in the Ministry of Education to change the allocation of resources. Others, however, contend that it was no more than a sign of the government's difficult financial times: there were simply not enough funds in the central bank to transfer to the University.

[64]This meeting took place in May 1991 and was attended by Yolanda Rojas. She reported the discussion to us.

> often based on educational attainment and teachers are typically included in the civil service. Thus these countries face a predicament: if they raise teachers' educational levels, they incur severe financial obligations they can ill afford. Such countries should consider separating teacher salary scales from civil service scales based on educational attainment. Otherwise, their only option may be to recruit less well-educated but affordable teachers and then invest more in supplementary interventions to sustain student learning."[65]

And even though the Calderon administration can claim to be restoring Costa Rica's democratic tradition in education both ideologically and in its attack on university student subsidies, that democratic tradition is simultaneously being undermined by the necessity to hold costs down through "dequalifying" teachers and continuing to privatize costs, especially at the secondary level. Unless the public sector is able to meet some of these private costs, enrolment will continue to stay down in secondary school, essentially limiting access to lower income youth.

There are thus a number of goals and problem-areas setting the agenda of the new administration. The proverbial problems of quality of education and teacher training, and particularly improving the training of "aspirantes" and "acreditados" remains a priority. A new teacher training project, in collaboration between the Ministry of Education, Costa Rican universities and international agencies, is also a central component of the new educational policy.[66]

Another area targeted for improvement is that of textbooks. In the opinion of a World Bank expert, free books in Costa Rica are insufficient (at best one textbook per child, with worse ratios in the rural areas) and obsolete. Information systems are anachronistic. An ambitious plan for decentralization of educational administration, particularly in rural areas, and a new pilot programme for school management in six regional offices are centrepieces of the new government educational strategy,[67] including the development of a new information system linking these six decentralized branches and the

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[65]The World Bank. A World Bank Policy Paper. Primary Education. Washington, The International Bank for Reconstruction and Development, 1990, p.5.

[66]Maria Eugenia Dengo et al. Banco Mundial. Componente Desarrollo Professional. San José, march 1991. Banco Mundial-Ministerio de Educación Costa Rica, September 1990. Consejo nacional de Rectores. Oficina de Planificación de la Educación Superior. Propuesta de las Instituciones de Educación Superior Estatal. Universidad de Costa Rica, Universidad Nacional y Universidad Estatal a Distancia (UCR-UNA-UNED) Para la Formación de Educadores. San José, OPES, April 1991.

[67]Conversations with Minister of Education, Marvin Herrera Araya, in San José, December 1990, and with Director of Planning, Zaida Sánchez, December 1990, and 6 May 1991.

Ministry of Education. Finally, technical and vocational education is another critical area for educational reform. There are a number of proposals for overhauling technical education, particularly linking middle technical schools to the apprenticeship programmes of INA.

The new loan (from the Inter-American Development Bank and the World Bank) is being negotiated in the context of Structural Adjustment and is earmarked for improvements in the quality of education and information systems. Although the original request was for $157 million, the banks seem willing to lend approximately $30 million each, expecting the government of Costa Rica to provide 25 percent of the total cost of the project. This request has already passed two stages in the process of loan approval at the World Bank and was presented to the Board of Governors for approval in the autumn of 1991, for execution at the beginning of January 1992.[68] The loan is the lynchpin of the Herrera reforms and is certainly shaping the administration's views on how to meet the financial requirements for keeping costs down. Both the teacher training and university aspects of the reform are derived directly from World Bank recommendations.

But plans for reform are already running into problems even before the first installment of the new loan has been received. The March earthquakes in the Province of Punta Arenas, which has also affected other localities, have left several school buildings heavily damaged. Resources for infrastructure repairs would be reallocated, scaling down other components of the programmes financed by the World Bank and IDB loan. In addition, with the salary agreement conceded to the teacher unions by the Arias government in 1990, the salary bill of the Ministry has increased considerably, and the cost of equalizing the salaries of teachers to those of professionals in the civil service - obtained by a class suit brought before the Constitutional Tribunal (Sala IV) - will imply an additional expenditure of 42 million colones over a period of three years.[69]

The most successful part of the reform may well be in reducing subsidies to universities and shifting such funds over time to lower levels of schooling. In theory, such a reform should be popular with lower income Costa Ricans, and the Calderon administration is not insensitive to the populist overtones of a struggle against high-cost, elite university education. But even here, there could be problems: although "elitist," Costa Rican university education is accessible to a relatively high percentage of the age cohort and certainly aspired to by most middle-class families for their children. Raising the cost of university education significantly could provoke a highly negative reaction in the middle class,

[68]Interviews with World Bank and IDB experts in Washington, 18 March 1991.

[69]Distributed as follows: 9 million colones in 1990, 16 million in 1991 and 17 million in 1992.

and could be interpreted as favouring the wealthiest Costa Ricans, who send their children to even more costly private universities.

4. STRUCTURAL ADJUSTMENT POLICIES AND EDUCATIONAL CHANGE

We have argued that the most important issue for educational policy makers in the Structural Adjustment process is meeting financial goals, specifically lowering educational spending. In his recent work on the effect of external debt on educational spending in Latin America, Fernando Reimers argues that in the 1980's debt was negatively correlated with spending (due primarily to the need to cut back public spending in the process of adjustment), and this probably reduced the quality of education:

> The immediate implication of this impact of the debt on education is a slowdown in the development of education in each country... the external debt has "frozen" the ability of the educational system to continue to expand the supply of education, in quantitative and qualitative terms.[70]

Reimers identifies the most important changes taking place in three areas: (1) cutbacks in the non-salary portion of educational spending - building maintenance, school supplies and laboratory equipment; (2) reductions in real salaries paid to teachers, forcing them to take additional jobs, and reducing their effectiveness as teachers; and (3) cuts in the foreign exchange portion of the educational budget, affecting special scientific and other equipment that enhances the educational process.

Although all three of these cuts took place in Costa Rica during the 1980's, we have suggested that they did not take place as a result of educational policies during Structural Adjustment, even though that may have been the intent of those policies. We shall show that the cuts occurred almost entirely in the recession of 1980-82, before the Structural Adjustment process began.

We find that the most interesting aspects of the post-1982 adjustment period were somewhat different from and more subtle than Reimers's analysis: (1) Teachers' real salaries rose through constant conflict with successive governments trying to meet the IMF's and World Bank's Structural Adjustment requirements, and the conflict with teachers has become the main educational issue, much more so than the quality of education itself. In practice, such financial considerations totally dominate the educational

[70]Fernando Reimers, op.cit. p. 46.

discussion, and it is the resulting inherent conflict with teachers, we argue, that now has the greatest impact on educational quality, not the amount of public spending. (2) The conflict has also produced some "certified" teacher flight, and these teachers have been steadily replaced with uncertified, less educated teachers receiving lower salaries and saving the government money. (3) A main educational impact of economic decline has been a sharp and sustained drop in secondary education enrolment after 1980, in part due, as Reimers argues, to the need for increased labour force participation by teen-age family members to sustain family incomes, but also due to the relatively high proportion of total direct educational costs (not including income foregone) borne by secondary (and primary) school parents in Costa Rica. (4) Costa Rican educators and educational planners have been unable to develop a coherent, longer term public alternative to current (mainly imported) thinking about educational solutions in a period of financial constraint. (5) There is increased "privatization" of public schooling, both through parents bearing an increasing proportion of public education costs and, as the perceived quality of public primary and secondary education falls, and university expands very slowly, through the flight of those who can afford it to totally private education. (6) As a result, there is increased polarization of access to the educational system, with fewer students from lower income families attending and finishing secondary school, and more students from higher income families going on to higher education either through private primary and secondary schools to public university, or from either public or private secondary schools to private universities.

In the context of these principal educational features of the Structural Adjustment process, we will suggest that the democratization of Costa Rican education, achieved by opening up secondary education in the 1970's, was effectively ended by the economic crisis of the early 1980's and by the Structural Adjustment process that followed.

Public Spending on Education. Table 3 and Figure 2 show that spending on education grew much more slowly in the 1980's than in the 1970's and fell significantly as a proportion of both GDP and total public spending (including financial charges). Total spending on education (including capital spending) grew from 5.2 percent of GDP to 8 percent in 1980-81, then fell to about 6 percent in the mid-1980's, and continued to decline to below 5 percent by 1986-87. Total current spending (Table 2) fell from its high of 5.9 percent of GDP in 1979 to 4.2 percent by 1984 and has stayed in the 4.0-4.3 percent range since. Current education spending relative to total government spending represented somewhat less than 30 percent of the total government budget (including interest on the debt) in the late 1970's, then fell sharply after 1982, so that it was about 20 percent from 1983 onwards. Furthermore, already before the

crisis, almost all recurrent spending at the primary and secondary levels went on salaries, hence whatever reductions or containments took place in the 1980's necessarily involved teacher salaries, not non-salary spending (Table 4).

Returning to Table 3, if we calculate education spending as a percentage of the total budget net of finance on the debt and other financial charges (Total minus the budget for Finance), we find that in 1979-82, education represented about 34-35 percent of the non-finance spending. This fell to the 30 percent level in 1985-88 and then rose by 1990 to 33 percent. However, if we also subtract out the Public Works budget from the total, assuming that all of that is capital spending, education represented about 47-48 percent of the non-finance, non-public works budget in 1979-1982. That percentage fell slightly by 1985, but then dropped sharply to the 33 percent level in 1987-88, rising again to 36.7 percent in 1990, but still far below the pre-1982 level.

Therefore, in the recovery from the 1981-82 recession, education played a less important role in total public spending regardless of the way we calculate it, and, as a result, was at a lower level of national effort than at any time since 1971. From one standpoint, this is understandable, since Costa Rica had reached almost universal primary education by 1970 and, as the population growth rate slowed down, primary school enrolment should also decrease. But from another standpoint, the policy is rather puzzling. In 1980, secondary enrolment represented 48 percent of the relevant age cohort, up from 26 percent in 1970, but 8 years later, in 1988, it was only 41 percent. Similarly, a declining pattern can be found in the last ten years considering secondary education enrolment as proportion of total enrolment.[71] In 1980, there were about 25 university students enroled per thousand of the Costa Rican population, up from 9 per thousand 10 years earlier. In 1988, there were still only 25 university students per thousand.

This suggests that the principal educational level at which democratization took place in the 1970's educational expansion was secondary (7-11th grades), when the proportion of the age cohort attending at least some years of that level increased from one-fourth to one-half. It also suggests that, in the 1980's, this democratization process was abandoned, for it would have required - as shown below - increased subsidization of the high direct private costs of public secondary education. In fact, just the opposite happened - families were asked to contribute increasing amounts out-of-pocket to support both

[71]World Bank reports on Costa Rica Public Sector Expenditure, 1989-90.

secondary and primary schooling.[72]

Under ordinary circumstances, both secondary and higher education should have expanded rapidly both in absolute terms and relative to the age group eligible for these more advanced levels of schooling. This would have more than offset the savings at the primary level from lower growth of the primary school-age population. Indeed, a normal spending curve in education would be one in which increased GDP would be translated into proportional increases in spending on schooling, mainly at higher and secondary levels.

Thus, the rapid educational system expansion that characterized Costa Rican development in the 1970's ended in the 1980's even though economic growth and overall public spending gradually recovered after 1983. Let us detail this process by examining each level of schooling separately.

Primary Education. Table 9 shows that the number of pupils in public primary schools was already increasing slowly in the 1970's, fell during the recession, but then rose again substantially during the economic expansion of the 1980's. Although the figures include semi-public as well as public schools, and night school attendance, in 1988 only 1 percent of primary school pupils attended semi-public institutions, and less than 1 percent attended night school.

Public spending per pupil at the primary level increased steadily through the 1970's, increasing by more than a third during the decade from about 8,000 1985 colones in 1970 to almost 12,000 1985 colones in 1980. Yet in real terms it would never again rise as high. By 1982, spending per pupil had dropped considerably and by 1983, it stabilized around 8,000 1985 colones (the 1970 level). Since almost all of primary schooling costs are teacher salaries,[73] this means that teacher salaries dropped sharply in real terms during the recession and remained low even after recovering in the late 1980's.[74]

What this meant for the quality of primary education is difficult to say. According to Table 13, class size did apparently increase slightly, but teacher/student ratios remain lower than the rest of Central America with the exception of Panama. And although teacher salaries did recover, pupil materials seem

[72]There are clearly lower participation rates of secondary education enrolment compared to overall enrolment in the Costa Rican educational system. In the late seventies, secondary schooling enrolled roughly 28 percent of total students in Costa Rica. Ten years later, secondary schooling represented slightly more than 21 percent of total student enrolment.

[73]Using data from the World Bank, Reimers points out that the proportion of the budget of the Ministry of Education for current expenditure increased from 77% in 1975 to 99% in 1987, Reimers, op.cit. p. 40

[74]As we will demonstrate below in discussing higher education, this is also true for university teachers, with a sharp drop in real salaries during the recession of 1979-1982, followed by a slight increase after 1986.

to have decreased. No new textbook has been printed since 1984,[75] and those we saw in the schools we visited were in a locked bookcase at the back of the classroom. Even at the primary level, parents were and still are required to buy their own text workbooks for the children to do their homework.

Because of cutbacks in spending in the 1980's, parents are currently also asked to contribute about 1000 colones annually for each child at school towards teacher school supplies. Added to notebooks, workbooks, other school supplies, uniforms and physical education kit (in many schools), these school supply contributions made the total family contribution to sending a child to a public primary school about 7000 colones annually in 1990, equal to about 3400 1985 colones. If we add this figure to the 8000 1985 colones public spending in 1990, we estimate, very approximately, that parents now bear about 30 percent of total public primary school costs directly.

The other feature of the 1980's at this education level was the steady increase in private school pupils even though at the end of the decade, the percent in private schools was only 4.4 percent of the total (it had hovered around 2.5 percent in the late 1970's and early 1980's). Since income per capita was rising only slowly in this period (it was lower in real terms in 1988 than in 1980), this suggests either that the preference for private schooling was rising among families as a whole (substitution effect), or that there was a rapid rise in income among certain (upper middle) income groups who were most likely to send their children to private school with increases in income (income effect), or both. The substitution effect makes the strongest case for the decline in quality of public schooling as spending per pupil fell.

The third important feature of primary school financing under Structural Adjustment (after 1986) was the massive investment in computers, LOGO software and the training of teachers to manage the computer classrooms installed in about 1000 primary schools throughout the country. This was a programme launched by the Arias administration with considerable support from IBM and the Inter-American Development Bank,[76] which seeks to make Costa Rica an example for the rest of Latin America of using computers to introduce primary school children to new ways of learning in the information age.[77] The funds for the project were channelled through an autonomous agency, the Omar

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[75]With the exception of the "Libros de Trabajo"-- didactic material produced by CENADI - National Centre of Didactics, created in the 1986-1990 administration.

[76]In 1989, the Ministry of Public Education channelled a $900,000 loan from the IDB to the Omar Dengo Foundation for introduction of microcomputers in pre-schooling and elementary education (first and second cycle).

[77]In our conversation with former President Oscar Arias (9 May 1991), he recalled this introduction of microcomputers as the most important educational achievement of his administration. He added that the introduction of microcomputers was a means of obtaining fresh funding since nobody gives money for books

Dengo Foundation, created especially for this purpose.[78]

The purpose of the reform was to increase pupil performance and learning and to generate a sense of improvement in primary education. Funds were largely externally donated, both in kind and in cash, enabling the Costa Rican government to achieve this quality reform without increasing government spending. Ultimately, however, responsibility for maintaining the LOGO programme will be shifted to the Ministry of Education budget. The hope is that, by then, the Structural Adjustment process will be over and the Ministry will be able to increase spending on non-salary components of the primary schooling budget.

Secondary Academic Education. The biggest surprise in our research has been the rapid decline during the 1980's of academic secondary enrolment (III and IV cycles).[79]Table 10 shows that the number of students dropped sharply beginning in 1982 and continued to fall steadily until 1986. There were almost 20 percent fewer students in 1988 than in 1980. Unlike in primary education, private school enrolment did not increase at this level; indeed, it fell slightly as well.

Despite the overall fall in secondary education enrolment, almost all of it has occurred in pupils beyond the first year of the III cycle (beyond 7th grade). This is an interesting phenomenon -- why did students drop out in such large numbers after the 7th grade starting in 1983 and why did this number not recover even by 1988? Admittedly, spending per pupil dropped sharply in 1981-1983 -- from 14,900 1985 colones in 1980 to 9,300 in 1982 and only recovered partially to 11,800 1985 colones in the mid-1980's. But this would hardly explain the drop in enrolment. Indeed, the drop in enrolment helped cost per pupil to rise in the mid-1980's.

The answer to this mystery lies in the decline in real incomes in Costa Rica during the 1980's and the relatively high fraction of total schooling costs borne by parents at this level of education.

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anymore. Computers are a flashy undertaking, Arias argued that now Costa Rica has more computers per capita in schools than any other country in Latin America. In his words, " what you could do in a U.S. county, we did for the whole country".

[78]We visited a school in the province of Heredia, near San José, that had such a computer classroom. The pupils receive 80 minutes of LOGO instruction weekly. There are 20 computers in the school, with two pupils to a computer during the teaching period. One specially-trained teacher (trained by the Foundation) and an assistant run the classroom and assist the students in their LOGO exercises.

[79]A recent World Bank report has also noted this decline. See World Bank. Costa Rica: Public Sector Social Spending. Washington, The World Bank.

Reimers[80] focuses on indirect family cost in the form of income foregone when he argues that the decline in real family incomes pushed higher proportions of secondary school-aged youth onto the labour market and out of school.

Research conducted with a small sample of student drop outs[81] shows that in the rural areas, in both primary and secondary education, only one third of students claimed to have dropped out because they had to earn additional income. Indeed, other factors, such as relevance of education or teachers' methodology were cited as causes for desertion. In the urban areas, 40% declared that economic causes did not play a role in their decision to drop out, although 37% declared it as the main reason for school desertion.[82]

But in our interviews with parents in Heredia province, the reason most given was the high direct cost of secondary schooling in the form of uniforms, books (not provided at the secondary level), notebooks and other supplies, transport, and assessments by the schools for teacher supplies. Transport costs per pupil were especially important, since they were often estimated to be about 8,000-10,000 colones per year. When uniforms, books and other expenses are added to this, it is not unusual to find 15,000-20,000 colones in direct costs for each child in secondary school, when that school is not within walking distance. Even without transport costs, it is likely that a family has to spend, with books, almost as much as the public spending per pupil in academic secondary education. Thus, the private direct costs of academic secondary education may be between one-third and two-thirds of the total cost, excluding income foregone. Essentially, much of the cost of academic secondary schooling is privatized in Costa Rica. It is therefore logical that lower income parents would have to make difficult choices about sending their children to secondary school, especially when they have more than one child in that age group. It is illustrative that the majority of parents interviewed in 1983 declared that their family income (current colones) was within the range of 6,119 to 8,064 constant colones.[83] With a total cost of 10,770 colones per pupil in 1983, private costs for parents in the upper end of the above-stated salary range will

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[80]Reimers, op.cit., 1990.

[81]To identify the causes of growing school desertion, a small sample of 393 drop outs and their parents were interviewed in rural and urban areas of Costa Rica in 1983. Secondary school drop outs constitute 68% of the sample. See Zaida Sánchez Moya et al., Las incidencias de la crisis socioeconómica en la deserción estudiantil del sistema educativo costarricense. Ministerio de Educación Pública-CEMIE-MIDEPLAN-REDUC, San José, Costa Rica, 1984.

[82]Zaida Sánchez, op.cit. pp. 180-181.

[83]Zaida Sánchez, op.cit. pp. 156-157.

represent 44% of family monthly income.

With high direct private costs of secondary education, parents may also make choices affecting the quality of their child's education, even while keeping the child at school. A child must have a uniform and notebooks to attend school. He or she must obviously pay transport costs if not within walking distance. But books are relatively optional in a teaching system that relies heavily on copying lessons from the blackboard and feeding back such information on examinations. When restricted financially, students are less likely to have books and, in Costa Rica, the state does not provide reading material to students at this level. As shown below, repetition rates and dropout rates increased in secondary education during the 1980's, in part, we think, because of cuts in the availability of school supplies.

Vocational Education. The number of students in secondary vocational education also fell in the 1980's, again mainly in the recession of 1981-82 and then remained essentially constant for the rest of the decade at about 25,000 (Table 11). Real public spending per student also fell substantially, but remained at about twice the level of academic per pupil secondary costs. Unlike academic secondary school spending per pupil, spending on vocational education has recovered rapidly in recent years, almost back to 1980 levels. Below, we shall discuss the special case of vocational education in Costa Rica and recent attempts by the Ministry to shift the costs of such education to the "Instituto Nacional de Aprendizaje" (INA).

Higher Education. University enrolment rose rapidly in the 1970's; more than tripling in 10 years. The university system also went through a major reform during the decade: the University of Costa Rica - the only public university in the country - was converted from a single campus in San Jose to a multi-campus university. A technical university was built. A system of distance learning was also installed, using the British Open University model, and a teachers training college (Normal Superior) located in Heredia was upgraded to become the Universidad Nacional.

The reform and the rapid expansion in the 1970's were meant to increase access to higher education and they did. The ratio of higher education students to the total Costa Rican population increased from 9/1000 in 1970 to 25/1000 in 1980. The student population grew three times as rapidly as the country's total population.

But the fact that the expansion was carried out in satellite campuses outside of San Jose also had important implications for how that increased access was structured socially. The University of Costa Rica at San Jose became more socially homogeneous and average social class increased between the entering

class in 1972 and the entering class in 1979.[84] In 1972, 22 percent of UCR-entering freshmen had attended private high schools, and this was also the proportion of all (in the whole university system) 1979-entering freshmen who had attended such schools. But by 1979, 33 percent of UCR freshmen came from private education. In 1972, 21 percent of UCR's entering freshmen reported that their parents had above average or high income, about the same percentage as reported by 1979-entering freshmen in the university system as a whole. However, by 1979, UCR-entering freshmen reported that 39 percent of their parents had above average or high incomes. These are very large changes in such a short span of time and they reflect both the rapid expansion of university enrolment during this decade and the rapid structuring of the new system into a social hierarchy of campuses and faculties.

Beginning in 1980, even this structured system of access, which brought in many more students (without changing the average social class of student) but increasingly allocated lower social class students to provincial campuses or to the Open University, slowed its growth substantially. Public higher education had 48,000 students in 1980, 56,000 in 1987, and 58,000 in 1989 (Table 12). The increase came from distance education, which increased from less than 1,2000 students in 1978 to 11,000 in 1987.[85]

The other feature of the expansion after 1980 was that private higher education was a much bigger beneficiary than was public. The 2,900 higher education students of 1980 had grown to 11,000 by 1989. In fact, while public higher education enrolment between 1980-1989 grew 20 percent, private higher education enrolment grew 273 percent.

The cost of private university education is high: one survey that compared the cost of studying business administration in 8 private universities showed a average tuition fees of 100,000-120,000 colones per year, or 53,000 1985 colones, about equal to the average spending per student in public universities.[86] In neither case does this cost include private direct costs for books and other supplies, or transport or housing.

After 1975, when the reform was accomplished, the real public costs per student in higher education stopped growing, so that they were essentially the same in 1980 as in 1975. Along with costs

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[84]Haydeé Mendiola, "The effect of Higher Education Expansion on Social Stratification and Labour Markets: the Case of Costa Rica", unpublished Ph.D. dissertation, Stanford University, 1987.

[85]Some data suggest that enrolment growth among students from the poorest 20 percent of families was most rapid rising from 5.1% in 1983 to 9.5% in 1986. See World Bank, Costa Rica: Public Sector Social Spending. Washington, The World Bank, Table 2.3.

[86]César Parral, "Avalancha de universidades privadas inunda el país" Semanario Universidad, 10 May 1991, pp. 14-15.

per student at other levels of education, these fell in the recession. But unlike in other levels, university spending per student quickly recovered (and even went beyond) the 1980 level. It was only towards the end of the decade, as pressure to reduce spending on university education increased from the international agencies, that university cost per student fell somewhat.

Higher education continued to expand in the past decade in part because of the decentralization of public institutions and in part because of the growing number of private universities. Due to the structure of educational finance in Costa Rica and the relatively great political power of those higher middle income and professional groups whose children are the majority of those who complete university, real public spending on higher education managed to grow in the 1980's and real spending per pupil stayed constant. This was so despite the fact that public spending at this level could be held down through an increased proportion of students in the relatively inexpensive Open University.

Critics claim that higher education was able to retain this higher level of resources because its budget is determined separately from other types of education and is, in some sense, "guaranteed" by legislation, whereas lower levels of schooling are more vulnerable to cuts. The end result is that higher education spending rose from 26 percent of the total education budget in 1980 to 40 percent in 1983 and 1984 and stayed close to that level (37 percent) until 1987. However, according to Ministry of Education figures, the universities budget fell again to 32 percent of the total by 1990. We analyze the reasons for this fall in our special case study of universities, below.

One argument, given by former President Arias, is that the expansion of education into private universities (and less so, primary schools) represents a large non-public expansion of investment in education. If included in total spending on education (assuming from the data on business administration course costs that the cost per student at private universities is about the same as in public ones), counting the 11,000 students at private universities would increase total spending on education by about 7 percent, and would increase the education "effort" from 4.3 percent of GDP in 1990 to 4.5 percent of GDP. From an investment standpoint, then, Arias' point is correct. Similarly, we could add that part of private direct costs at the primary and secondary level, such as books and school supplies, that contribute directly to the learning process.

But this privatization at the university level largely benefits that group in society that can afford to pay relatively high fees. When added to the increasing class stratification of university accessibility and particularly university completion, the increasing tilt of educational spending away from democratization in the 1980's becomes more clear.[87]

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[87]This is documented in Haydeé Mendiola, op.cit.

The Instituto Nacional de Aprendizaje (INA, or National Training Institute). The decentralized Instituto Nacional de Aprendizaje is an apprenticeship system which is financed by a tax of 2% imposed on the payroll of enterprises with 50 or more employers. The INA is the senior training institution in Costa Rica in charge of training the labour force for agriculture, services and industry.

Two main modes of training are in place: an apprenticeship programme and supplementary training - with a short course or on-the-job training. The main campus of INA in San Jose serves a variety of purposes. The apprenticeship course is a two and a half to three-year programme including integral education for youths 15 to 20-year-olds; it is organized around particular specialities (i.e. carpentry), and after completing the three-year programme, students are placed as apprentices in industry. The minimum requirements to enter this course are age, basic numeracy, literacy and reading. Throughout this three-year programme, students are exposed not only to commercial skills but also to Spanish, social studies, science and mathematics courses and could be certified for the equivalent of instruction of completed basic primary and secondary education. This three-year apprenticeship programme provides complete funding to students, although there are some funds available for supplementary courses.

Supplementary courses are more narrowly focused, aimed at specific tasks lasting less than six months, with the objective that, after course completion, the student moves into the labour market. There is no certification but practical training. In addition, INA has on-the-job training courses, conducted directly in industries and workplaces. Two types of courses are offered, either highly specialized or aimed at certifying a level of education and knowledge. A large number of students have gone through the programmes, close to 37,000 students in the decade of the 1980's, with 3,000 to 4,000 in apprenticeship programmes.

Recession created a temporary budget problem for the INA. The most important reason was the rising open unemployment in the first half of the 1980's that ultimately led to diminishing training budgets for INA. However, this was quickly overcome: INA's budget, unlike that of public education, is tied to economic performance rather than to public spending decisions. One of INA's key directors told us that steady salary increases after 1983 for those workers that remained employed helped INA's budget to remain ahead of inflation, hence INA's budget grew 236 percent in 1981-1982. Indeed, according to Reimers, real spending on INA was already up 15 percent in 1984 over 1980, and increased another 23 percent between 1984 and 1987, due largely to the growth of the private sector after 1982.

There are longer-term problems faced by INA. Firstly, with the politics of Structural Adjustment,

there are drastic changes in the operation and technology of Costa Rica's industrial, agricultural and service industries. These changes may warrant serious adjustments in the training (and technology) being offered at INA. Secondly, with the overall purpose of savings in the public sector, INA's budget itself may have to be brought into line with austerity policies, even if this would imply the transfer of resources that could be collected in excess of INA's needs. Finally, there are growing pressures from the Ministry of Education for INA to play a more prominent role in third-cycle technical training. But this may not be easy, since the Ministry of Education wants its technical education teachers to be in charge of possibly new training provided by or in conjunction with INA.

5. SELECTED ISSUE: THE CHANGING ROLE OF TEACHERS

In the 1970's, the expanding education sector was regarded as one of the most important sources of future development in Costa Rica. Indeed, today's labour force has considerably higher levels of education than that of the 1970's, largely because of that expansion, and may be an important source of economic growth in the private sector. However, the average level of education of those aged 15-24 reached its peak in 1985, and so did the percentage of the economically active labour force which had completed secondary and even university education.[88]

In the expansionary phase of the 1970's, teachers were highly regarded and were relatively well paid. In our discussions with union officials, they looked back on this period as one in which teaching as a profession was attractive, and the push to increase the percentage of "qualified" teachers (with post-secondary teacher training or university training) a positive factor in raising the quality of teaching and education.

But after the 1980-1982 recession and the implementation of Structural Adjustment, the role of teachers necessarily changed. Since such a high fraction of the education budget goes on teacher salaries and 20 percent of the entire government budget goes on education, keeping government spending down largely means keeping teacher salaries down. Teachers, in turn, found themselves to be constant

[88]The proportion of the economically active population with complete primary education remained between 44.6 percent in 1976 and 41 percent in 1988, while the proportion of the economically active population with complete secondary education increased from 7.3 percent in 1976 to 14.3 percent in 1988. Overall years of education for the economic active population in the period 1976-1989 increased from 6.1 in 1976 to 7.3 in 1985. Ministerio de Planificación Nacional y Política Económica. Costa Rica: Indicadores Sociodemográficos. Período 1975-1989. MINEPLAN, San José, August 1990, p.24.

adversaries of the government, especially when their real wage dropped precipitously in 1980-82, and there was strong government resistance to allowing teachers' real wages to recover after 1983. Teachers also saw their working conditions deteriorate as school supplies were eliminated, as they increasingly had to depend on hard-pressed parents for donations, and as they were increasingly blamed by government and the press for the ills befalling education.

Even though union officials are certainly biased in viewing teachers positively come what may, interviews with others upheld the notion that attitudes towards teachers changed as teacher salaries became an overriding issue in meeting Structural Adjustment goals. In our interviews with government officials, several pointedly mentioned the mediocrity of the teacher work force and the difficulties of improving education given the low quality of teaching. In our interviews with teachers, there was almost universal agreement that the government was making teaching more and more difficult, not only with its salary policy (discussed below) but with new reforms in each administration that had little continuity or consistency.

The result of these policies has been a flight from teaching by the better educated teachers and their gradual replacement by non-titled teachers (aspirantes). This move is now implicitly supported by the World Bank and the Inter-American Bank in their new education loan which began in 1991. One of the purposes of the loan was to provide in-service training for secondary school-educated teachers and to reduce government spending on teachers' formal higher education.[89] This is not necessarily an incorrect position, but it does assume that the only way around the more highly trained teachers (with their high salaries) is gradually to replace them with lower salaried, more cheaply trained substitutes.

Teachers' Salaries. According to Fernando Reimers, primary and secondary school teacher salaries fell substantially in 1980-1986, much more than real wages in the economy as a whole. Whereas primary school teachers' real salaries increased by almost 67 percent in 1975-80 and secondary school salaries, by more than 25 percent, they fell back to 1975 levels for primary school teachers and far below 1975 levels for secondary school teachers. Real wages in the private part of the economy, on the other hand, after falling 30 percent in 1981-82, had recovered by 1987 to 1980 levels. The minimum legal wage was 15 percent higher in real terms in 1985 than in 1980 and 55 percent higher in 1985 than in 1976.[90] Teacher salaries also increased less rapidly after 1982 than the average government worker's

[89]This is documented in Yolanda Rojas "Transformaciones recientes en la educación costarricense", Paper presented to the Workshop "El Nuevo Rostro de Costa Rica". San José, 1991.

[90]Reimers, op.cit. p.40.

salary (Table 14).

Our more detailed data confirm his results. But with more recent data, we can show that teachers made large salary gains in the last years of the Arias administration and even in the conservative Calderón administration's first year. This was largely the result of a teacher strike in 1989 and a court order that defined teachers as professionals, to be paid equivalent salaries as professionals in the private sector. By 1990, teachers' real wages had almost recovered to 1980 levels, but had still not done nearly as well as workers in the private sector nor as well as the minimum wage. They also had not done as well as the average real income of government employees, which rose 30 percent in 1982-1989, whereas primary school teacher salaries rose 21 percent and secondary teachers, only 13 percent (Table 14). Thus, although the average real wage of government employees fell as sharply as teacher salaries in the 1979-1982 crisis, non-teacher employees have done much better in the Structural Adjustment period.

The Decline of Teacher Preparation. According to our interviews, the drop in real teachers' salaries in the 1980's deterred many young people from chosing teacher training and drove many out of the teaching profession. In the early seventies, the system of "école normale" or teacher-training colleges was abolished and teacher training was located in the universities. But the large increase in teachers in the 1980's was not among the university educated. On the contrary, particularly outside the Central Region, teachers were increasingly drawn directly from high school graduates. These "aspirantes" have received no formal teacher training.

By 1990, the percentage of aspirantes (plus a small percentage of autorizados) at the secondary level represented 24 percent of the total teaching staff.[91] In terms of teaching specific subjects, 34 percent of teachers in science, 29 percent in Spanish and 25 percent in mathematics were aspirantes or autorizados (Table 15). In all subjects, the proportion of teachers without university education and teacher preparation was much higher outside the Central Region including San Jose (see note b, table 15). In mathematics and science, almost half of the teachers in these outer regions were aspirantes--although, as we explain below, this may be changing.

The situation may not improve in the short run. If enrolment in secondary education increases

[91]An important distinction should be made between secondary teachers as a physical person, and teaching posts (plazas). In fact, educational statistics in Costa Rica report teaching positions (plazas) rather than teachers as a full time equivalent position. This results in double accounting of teachers who, in fact, number less than total teaching posts. An alternative way of estimating the total number of teachers (as physical persons) employed in secondary education in Costa Rica would be to account for the number of pay-cheques issued by payroll. But teachers are paid with a separate cheque for each teaching position or plaza they occupy.

at the secular growth rate of its school-age population, it has been estimated that by the end of the century, demand for certified secondary education teachers will be double the available supply.[92]

Part of the problem is that teaching jobs (plazas) are allocated in terms of the number of classroom teaching hours ("lecciones") that should be taught in a week. Several disciplines have few teaching hours or lecciones allocated to them. For instance, compared to French or sciences with 24 hours/week, disciplines such as philosophy and psychology that have 10 hours/week or physics which has 12/hours week, are not very attractive to prospective teachers, as in order to draw a full time teacher salary, they have to accumulate a 40 teaching hours/week, usually in different schools. This in practice implies more expenses (i.e. transport), and juggling with timetables to accommodate to different hours in different schools.

The situation in primary education is not much better. In 1987, only 22.6 percent of teachers were aspirantes or autorizados; by 1991, this increased to 25 percent. In the 1988 search for teachers to fill full-time teaching positions,[93] 1545 teaching posts or 70.23 per cent of the 2,200 teaching jobs ("plazas") advertised were not filled by professional teachers.[94]

There is an emerging crisis of qualified personnel in elementary education, attributable both to sudden, shifting patterns of enrolment (taking educational planners by surprise) and to changes in the legal system of retirements for teachers. An analysis of enrolment patterns between 1979 and 1986 attributes the marked shifts in enrolment in primary education to the cyclical nature of demographic growth in Costa Rica. For instance, the years 1980-1982 are characterized by decreasing enrolments (with rates of -5.2, -0.7 and -5.6 respectively) and the years 1983-86 by large increases in enrolment (with positive annual growth rates of 1.4, 6.9, 12.2, and 11.5 respectively).[95] Changes in the retirement system in 1986 (a golden handshake) prompted a large number of teacher to retire - approximately 700 teachers per year in 1986 and 1987, slowing down to 500 teachers per year afterwards. These retirements and increasing enrolments not only undermined educational planning but, given the scarcity of certified teachers produced by the universities and low teacher salaries, allowed a growing number of aspirantes

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[92]Carlos E. Olivera. El personal de la educación Necesidades y alternativas hasta fin del siglo. Proyecto MEP/CODE, 1989, p. 17.

[93]Not necessarily as these were vacant or new positions. In fact, many of these teaching positions are currently filled by teachers who are "autorizados" or "aspirantes".

[94]Carlos E. Olivera, op.cit. p.9.

[95]Carlos E. Olivera, op.cit. p.6.

or autorizados to enter or remain unqualified in the system.

Until the economic crisis of the eighties, there was a vicious circle of less qualified teachers appointed in the less attractive rural jobs. Teachers without higher education--usually high school graduates-- were appointed in rural areas, generally in schools with only one or two teachers (unidocentes schools).[96] Aspirantes were and are given the opportunity to obtain a teaching credential through an agreement between the Ministry of Education and universities.[97] When aspirantes obtain their university degrees, they usually seek appointments in urban areas and new aspirantes are appointed to their previous jobs.

However, with the economic downturn, a curious phenomenon has occurred. University-trained teachers have been increasingly seeking appointments in rural schools to enjoy the salary differential for teaching in the less favourable areas of the country.[98] In addition, given the shorter school day, there is the possibility of combining more than one teaching job. Furthermore, teaching in rural areas earns extra time for retirement purposes.[99] A forecast of human resource needs for the next five years shows that teachers without higher education in primary education will slightly diminish. In secondary education, however, the number of aspirantes will continue to grow until 1996, reaching one third of the total teaching force.

The main issue is whether this dequalification of the teacher force is having a negative impact on the quality of education. Those who feel strongly that teachers are the key to "good" education--especially teachers' organizations and the teachers themselves--obviously believe that the increasing percentage of aspirantes is a signal of declining effort in education and declining quality.

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[96]Although they account for less than 10 percent of the total enrolment in elementary education, unidocentes schools (enrolment of less than 50 students, usually staffed by only one teacher) account for 42.5 percent of all schools. The level D-1 (Direcciones 1) schools (enrolment between 50 to 180 students) constitute 41% of all schools, absorbing only 26.2 percent of the total enrolment. The large schools (16.5 percent of the total) enrol 65 percent of pupils in elementary education. In unidocentes schools, a single teacher teaches all elementary grade (1-6), with a total of only 3 hours daily. Ministerio de Educación Publica, La Educación Costarricense en Cifras, op.cit. p.4. Yolanda Rojas, op.cit. pp. 14 -15.

[97]Special teacher training courses have been designed through an agreement between the Ministry of Education and the universities. These courses are usually restricted to two years, instead of the customary three years, for a Bachelor at the Universidad Nacional and four years at the University of Costa Rica. According to information from the Ministry of Education, between 1986 and 1990, a total of 5,146 aspirantes graduated from this programme.

[98]These salary differentials are known in Costa Rica as "zonajes".

[99]Carlos E. Olivera, op.cit. p.8.

Those who feel that high levels of formal education for teachers are an expensive and inefficient way to provide improved education, particularly when resources are short, argue for investing in short, in-service training for aspirantes and contend that, with such short courses, the aspirante can deliver education that equals the quality of more highly paid, more formally trained "titled" teachers. As far as we know, no study has been done in Costa Rica to support either claim, but it is a fact that failure rates have risen in the higher grades of primary school and in secondary school, particularly after 1981 - see figure 6 and table 16. How much is due to the lower education of teachers, how much to general demoralization, and how much to fewer school supplies would require such a study.

6. INTERNAL EDUCATIONAL EFFICIENCY UNDER STRUCTURAL ADJUSTMENT.

Costa Rica practically achieved universal primary education in 1980, and the rate of illiteracy is less than 8 percent.[100] However, the universalization of primary education may have implied increasing teacher-student ratios. With the exception of Guatemala, Costa Rica's teacher-student ratios for secondary education are much lower than the rest of Central America and show improvement over time. Enrolment ratios in higher education are excellent compared to the countries of the region, as well as in international terms. Furthermore, Costa Rican higher education has been training many of the intellectuals from the rest of Central America.

There is a developing pattern of declining promotion rates in Costa Rican elementary and secondary education in the 1980's (Figure 7 and Table 16). Although we have no access to raw data, information produced by the Ministry of Planning shows that in the seventies, promotion rates in first cycle were in the upper eighty percent. After 1982, they remained in the lower eighty percent, e.g. 80.3 percent for 1989. Likewise, in the seventies, promotion rates in the second cycle were in the lower nineties (peaking at 93.8 percent in 1979); ten years later, they had declined to 86 percent.[101] Rates of promotion in secondary education - starting from very low rates in the sixties - reached very high rates in the seventies (69, 70 and 68 percent in 1977, 1978 and 1981 respectively), declining substantially to 52 percent by 1989 (Table 16).

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[100]School enrolment rates in primary increased from 66.5 percent of the age cohort in 1950 to 80 percent in 1963, 95 percent in 1973 and 98 percent in 1980. The number of primary schools almost tripled between 1951 and 1981.

[101]Ministerio de Planeación, op.cit. p. 24.

An analysis of the internal efficiency of the system in two student cohorts (1970-1978, and 1978-1984) shows an inverse relationship in primary and secondary education. While elementary education improved its rate of retention and promotion (70.6 percent of pupils in 1970-78, and 78.1 percent in 1978-1984), secondary education rates worsened (58.8 percent in 1970-78, and 48 percent in 1978-1984).[102] Similarly, after 1981, there are lower promotion rates and higher rates of repetition in elementary as well as secondary education, as compared with a decade ago (Table 16 and 17). In first and second cycles, lower promotion rates do not necessarily imply higher drop-out rates. In secondary schooling, however, drop-outs increase. Student failure in high school tests implemented between December 1988 and February 1990 was quite high, prompting a debate about the quality of education in Costa Rica. More than 40 percent of students failed in mathematics, 13 percent in Spanish, 19 percent in social studies and 17 percent in foreign languages and sciences. In the second cycle, for instance, less than 1 percent of the students in mathematics, 0 percent in Spanish (one student only) and 6.4 percent in sciences obtained a grade of 90 percent or higher. Only 39 percent of high school seniors who took the "bachillerato" test obtained pass grades. Although clear trends cannot be identified with data only for three years, comparing first, second and third cycles, it is argued that the higher the educational level, the lower the educational performance in the national tests.[103]

Promotion rates declined and repetition rates increased sharply in elementary and secondary education after the crisis of 1980-81 (Table 16 and 17). The causes of these declining trends in internal efficiency include a combination of sudden changes in patterns of enrolment, the flight of higher educated teachers, low morale and poor working conditions in the schools, lack of supplies, less room for improvement when a system almost reaches universal primary education (system fatigue) in the midst of financial cutbacks, increasing private costs for education, erroneous policy decisions, and the educational repercussion of broader social struggles.

7. UNIVERSITIES AND THE *INSTITUTO NACIONAL DE APRENDIZAJE* (INA): TWO INSTITUTIONS UNDER PRESSURE

The rapid expansion of the 1970's, the financial conflicts and privatization of costs associated with

[102]Ministerio de Educación Pública, La educación costarricense en cifras, op.cit. p.13.

[103]Yolanda Rojas, op.cit. p.21.

the recession of 1980-82, combined with short-term impacts of Structural Adjustment, have affected educational quality, especially in basic education.[104] Between 1980-1988 the total proportion of public education in GDP was reduced from 5.6 percent to 3.9 percent. As we have shown, this reduction has been most drastic in secondary education. A 10 percent reduction across the board of all Ministries' budgets for this year will make the situation worse.[105]

Three basic elements are highlighted by IDB for educational reform: a) improving quality of education by improving teacher training and physical infrastructure in rural and marginal urban areas, b) institutional strengthening of the Ministry of Education through restructuring its administration, and c) rationalization of technical education, supporting a pilot programme of six technical schools and a pilot project of educational informatics in secondary education.[106]

One of the pillars of educational reform in the current administration is to achieve labour discipline and to lower the wage bill. For this purpose, the universities, and their constitutional budget protection are a special target.

Public Universities. Until the early seventies, the University of Costa Rica enjoyed a virtual monopoly in higher education.[107] As a predominantly teaching institution, it was highly functional to the model of dominance of the ruling Liberación Nacional Party. It served for training selected groups of youth Party cadres and eventually acted as a think-thank for a few government projects.

In addition, the University of Costa Rica was a "trustworthy", prestigious institution. Under explicit rules, it performed its role as a training ground in politics. Through competition in institutional

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[104]Above, we have summarized the diagnosis and goals of Calderón-Herrera's new educational policy. However, the policy represents exactly the position of the Inter-american Development Bank. It is argued that, following criteria of efficiency and equity, modifications in the assignments of resources should be made. Four problems have been identifies: (a) low quality graduates, (b) declining standards and quality of teacher training, (c) deterioration of buildings and equipment through lack of maintenance, and (d) diminishing administrative capacity of the Ministry of Education, given recent cutbacks. Banco Interamericano de Desarrollo. Borrador de Perfil I. Programa de Mejoramiento de la Calidad de la Educación, Washington, 1991, p. 1.

[105]Interviews with two Ministers in Costa Rica. One of them mentioned that they received the order to reduce their programme by 10% this year and it is up to them to decide where to cut.

[106]IDB. op.cit. p.2.

[107]Until the mid-seventies, only three countries in the region, Cuba, Uruguay and Costa Rica, had no private university enrolments. Daniel Levy, Higher Education and the State in Latin America. Chicago, University of Chicago Press, 1987, table 1.1 page 4.

politics, it could polish or tarnish the public image of future Costa Rican politicians. It was also an important place of work. In the event of losing an election or the trust of the senior politicians, state bureaucrats who had kept their tenured university positions could return after finishing their public service.

The impact of the Cuban Revolution on academic environments, new ideas being developed all over Latin America in the mid-sixties (i.e. dependency theory, theology of liberation, pedagogy of the oppressed, etc), guerrilla warfare in the region, and the much heralded student activism of the time, transformed the political culture of the University. The University of Costa Rica became an arena for criticizing the government and a breeding ground for left-oriented politics.

Thus, notions of accountability and higher education reform were brought in, with proposals for a more plural academic market. With the consensual style of Costa Rican politics, the new system that emerged after the mid-seventies reform, with four national universities and some newly formed private universities, did not affect the autonomy and acquired rights and privileges of the University of Costa Rica, protected by constitutional guarantees. In fact, the overall reform of higher education created a more complex system.

Cost-benefits analyses were used to estimate the internal and external efficiency of the university. For instance, the current Minister of Economy, in his 1989 study of public sector efficiency,[108] diagnosed the situation in higher education as follows:

a) There is a growing trend of full-time equivalent positions in the academic staff, from 3,380 in 1972 to 4,496 in 1986.

b) There is an extremely high growth of administrative positions in the same years, with an increase of 156 percent outpacing enrolment growth.

c) Between 1977-1981, real expenditure was systematically rising. During the 1981-82 period, there was a net loss in real expenditure, approximately 30 percent of the base budget in real terms (110 millions colones). Only at the beginning of 1985 did university budgets reached the same level as in 1980.

d) Despite the reforms in the seventies, the University of Costa Rica still retains the leading edge in higher education. It enrols 49.9 percent of students in higher education and produces 50 percent of higher education graduates yearly.

e) Although its economic efficiency is stable (neither improving nor worsening), real spending per student shows an upward trend (50.6 percent between 1982-1986).

f) Analyzing university spending, it is clear that allocation for teaching has been diminishing over

[108]Thelmo Vargas, Análisis de la eficiencia del sector público costarricense. San José, October 1989.

time.

g) Average salaries in real terms (per FTE), suffered a drastic fall between 1979 (47.7 thousand colones) and 1982 (28.3 thousand colones), then rose to 39.3 thousand colones in 1986, an improvement over 1982, but still below the level of 1979. It is argued that "this confirms that the adjustment of salaries has lagged behind inflation".[109]

h) Revenues from student fees have been declining from 7 percent of the total revenue in the seventies to less than 3 percent in 1986. Even with the extra-fee charged to international students, it is concluded that all students have enjoyed a high subsidy.

i) University productivity is low. Although enrolment is steady, the number of graduates measured by number of degrees conferred diminished substantially, particularly in the period 1978-84, improving slightly afterwards. An analysis of diplomas conferred in a given year compared with enrolment five years before shows that graduation is less than 10 percent of enrolment.

Adding to the complaint regarding high subsidies in higher education, the picture that emerges from the analysis of cost-effectiveness is critical:

> "The results suggest that economic efficiency of the institution, comparing 1986 with 1981, tends to remain the same. However, given the upward trend in real expenditure per students, increasing after 1986 at a rate higher than the rate of enrolment or diplomas granted, it could have been expected that the real cost per unit increased. This reflects lower economic efficiency as measured by these indicators."[110]

Thus subsidies to higher education should be decreased. In the letter of intent sent to President Michel Camdessus, Manager Director of the IMF, 27 February 1991, it is argued that subsidy levels ("transferencias") of 22% per year in the last two years, would decline to only 6 percent in 1991. To that extent, "Presidential decrees have been enacted to cut transfers approved for higher education, privileged retirement ("pensiones de privilegio") and diverse projects administered by decentralized institutions."[111]

Higher education "bashing" has been the norm in many presentations by the Minister of Economy. On 16 June 1991, the Minister claimed that "our system of higher education does not identify

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[109]Vargas, op.cit. p. 196.

[110]Vargas, op.cit. p.200.

[111]Gobierno de Costa Rica, "Carta de Intenciones". Foro de la Nación, 6 March 1991, p.16-A.

with the interests of the country. They continue spending as if we were in a situation of opulence."[112]

In an unusual move, the Ministry of Economy widely publicized in the newspapers of 17 April 1991, a letter from Camdessus to President Calderón. Announcing the approval of an agreement with the IMF, Camdessus said explicitly that: "I would like to emphasize some measures that, without doubt, will be difficult. But they constitute key elements for the improvement of public finances and therefore the success of the programme. Concretely, I am referring to the programme of labour mobility, keeping a strict salary discipline, and the politics of reduction of expenditures. The execution of these policies had a promising start but will require sustained efforts."[113] Many saw the publication of this letter as a government attempt to show that they are helpless facing the conditions imposed by the IMF.

A central element in the policy reform effort is higher education reform, which tries to put an end to subsidies to public universities. Another crucial component is the reform of technical education. In turn, a new, expanded role of INA is considered a "sine qua non" condition in the reform of technical education.

A New Role for INA? A reform of INA's law was proposed in the National Assembly, with the goal of transferring 25 percent of INA's resources to education. But it failed. INA's top administrators argued that the fiscal surplus of the institution is fictitious because government regulations compel INA to reduce expenditure. Alternatively, an agreement between INA and the Ministry of Education was discussed. In this new project, INA will give technical and financial support to technical education for ten years. The initiative did not do very well either.[114]

Several months later, the Minister of Education announced that drastic changes will be made in technical education, including eliminating specialities and creating others with regional content. In this reform, Technical Schools will offer basic education (nine years). After completing basic education, students may choose between distance education or courses offered by INA.[115] In late June 1991, however, a decision was made to transfer responsibility for technical education to INA. The Minister of Education voted against the measure. Although the Minister wanted access to INA's resource to subsidize

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[112]"Ministro fustiga a las universidades" La República, 16 June 1991, p. 6-A.

[113]Ministerio de Hacienda. Aprobación del acuerdo entre Costa Rica y el Fondo Monetario Internacional. La Nación, 17 April 1991.

[114]Lupita González. INA y colegios ténicos frente a crisis económica. La República, 26 April 1990.

[115]Maria Isabel Solis. "Transformarán educación técnica" La Nacion, 27 March 1991.

salaries of expensive technical education teachers,[116] he voiced his opposition to the measure which he perceived as an intrusion on his authority to define educational policy.

In the context of an import-substitution development model, INA played a major leading role for labour training. However, after 1975, INA does not see itself playing any substantial role in coordinating or regulating labour force training in the country.[117] In the last two years, INA has been undergoing a series of reforms to adapt its training to the new conditions of the country. These reforms are occurring in the context of an institutional paradox: INA is forced by the central government to sub-execute its budget (i.e. to disburse much less than the revenues its receives through payroll tax), thus having investments close to 500 million colones earning interest. These funds cannot be used to finance INA's development unless the board of governors of INA and the central government reach an agreement of how they can be used.

After 25 years in service, INA's equipment is deemed obsolete. Thus, apprenticeship programmes are being transferred from INA's own workshops to enterprises with modern machinery. Key institutional programmes include service ("atención integral") to small and medium-size enterprises in areas of administration, marketing and quality control. A second programme is an attempt to expand the so-called "social area" of the Costa Rican state. Thus, public workshops have been organized with the explicit purpose of helping income distribution in marginal communities. In these public workshops, instructors help community members in a number of specialties including masonry, metal-mechanics, welding, dressmaking, carpentry and handicrafts. Community members bring primary materials and, with the help of INA's instructors and using INA's machinery, they will build products to sell in the market, while keeping the profits. In some cases, INA facilitates the acquisition of primary materials at subsidized prices. Another programme addresses the needs of marginalized youths in impoverished areas of the country, giving them skills for reinsertion in formal and informal labour markets. Special programmes for ethnic groups and handicapped people have been organized by INA as part of its social commitment.

Another INA programme is oriented towards promotion of micro-enterprises. Not only does INA help in training small entrepreneurs to start micro-enterprises (with training in accounting, leadership, administration, financing, etc), but also helps them establish their credit, social security and labour certification (together with the Ministries of Labour and Social Security). Finally, the apprenticeship

[116]Teachers and instructors in Technical Education are paid 50 teaching hours for 25 classroom contact hours.

[117]Conversation with the President of INA, 9 May 1991. Interview with the Technical Director of INA, December 1990.

programme and supplementary training programmes remain a key component of INA's training system.

Overall, it is difficult to evaluate the impact of Structural Adjustment on INA's institutional policies, particularly when it has been working on a reorganization of its activities for the last two years. INA's programmes seem to be directed to both the nonformal and formal sectors of the economy. There are no serious fiscal constraints and budgets for labour training are always sub-executed, with an overall financial surplus that is reinvested yearly. There are a number of training incentives, including fellowships and financial support and virtually no user-fees. Changes in decision-making at INA seem to be slow, depending on complex agreements and negotiations between industry, government and workers' organizations. In addition, INA is trying to reorient its institutional policies to meet the new conditions of an export-oriented development model. Among the areas considered by INA for training purposes are micro-electronics, food processing, computing, informatics, tourism, and leather and shoe industries. INA's leadership identifies some of these areas (e.g. the leather and shoe industries, tourism) as having a competitive advantage in international markets, while other more technologically advanced industries (e.g. microcomputing) could be developed if multinational corporations establish assembly factories in the country.[118] Regarding INA's potential contribution to technical education it is too soon to evaluate the implications of the recent agreements between INA and the Ministry of Education.

8. FACING STRUCTURAL ADJUSTMENT.

In this section, four main questions will be addressed: Is Costa Rica a typical example of austerity policies under Structural Adjustment conditions? How are educational policies related to Structural Adjustment? What are the main actors in the process? What role the international organizations play in designing the educational strategy for Costa Rican education?

A Small Country has no Choice. Structural Adjustment involves far-reaching changes in economic policy and structure. Former President Arias responded from the outset to our question as to why the government accepted external donors' conditions for Structural Adjustment, by saying: "a small country has no choice". Costa Rica is a vivid example of this pragmatism. Heavily dependent on external aid, caught in the midst of an explosive regional political situation and dependent on developed countries for export sales, any attempts to shrug off economic pressures from the international donors had already

[118]Conversation with the President of INA, 9 May 1991.

plunged Costa Rica into a deepened economic crisis by 1982. After Carazo's regime, Structural Adjustment policies dominated government programmes, showing a fundamental policy continuity in governments that represent different political parties.

In Costa Rica's democracy, welfare activities seem to dominate everyday state routine, with educational and health expenditure accounting for a sizable amount of welfare spending in the sixties and seventies, declining during the crisis of the eighties. Educational policies in Costa Rica in the last decade are set in the context of severe economic constraints, in which adjustment measures may add additional strains.

The success of the Costa Rican government in obtaining 2 billion dollars in financial and technical assistance helped to smooth regressive trends in the economy. External assistance (particularly from U.S. sources) helped to regulate economic growth and reduce external debt. Taking advantage of the privileged status of Costa Rica in the international community, Costa Rican governments are committed to obtain new loans. This is reflected in the new negotiations for a SAL-III and a new loan for educational reform.

At the same time, given their level of financial commitment, lenders are also heavily committed to support Costa Rica with the hope that eventually it will become more self-reliant. The lenders also have an ideological stake in the success of the Structural Adjustment model. If the model does not work in the exceptionally favourable conditions of Costa Rica (stable, co-operative governments, small economy, strong legal foundations, limited civil strife), the costs for the lending institutions would be far greater than their financial losses.

Indeed, Costa Rica may have had no choice but to engage in Structural Adjustment following many of the prescriptions of the IMF, USAID and the World Bank. The apparent paradox is that, despite conditions imposed by lenders, Costa Rica has enjoyed the luxury of implementing a rather heterodox Structural Adjustment that neither undercuts employment nor drastically lowers real wages. Moreover, the state has so far attempted to maintain its leading role in social policies - i.e. the reformist tradition of the Costa Rican state controlling market forces - without worrying too much about their policy implications for new borrowing.

Thus, even if Costa Rica had little choice in accepting Structural Adjustment in return for economic salvation, the country's special political situation allowed local governments considerable leeway in softening these conditions and maintaining social welfare policies to the extent that they have. In this context, how are educational policies related to Structural Adjustment?

Educational Policies and Structural Adjustment. Reduction of public spending, predictable wage

increases and labour discipline are key components of Structural Adjustment programmes. Since health and education systems are labour intensive industries, they are the largest employers of labour in the public sectors, with salary expenditure representing more than 95 percent of their budgets.

Hence, any sizable reduction in educational budgets implies either lower real wages or teacher redundancies, or both. We have argued that in Costa Rica, after the crisis of 1981-82, the role of teachers necessarily changed. With a very high fraction of the recurrent education budget going on teacher salaries, and an average 20 percent of the entire government budget going on education, keeping government spending down largely meant keeping teacher salaries down. Given the commitment of the Costa Rican state to compulsory, free and public education, massive teacher lay-offs could not be seriously contemplated.

Teachers have made large salary gains in recent years as a result of strikes in 1989 and a court order defining teachers as professionals to be paid equivalent salaries as professionals in the private sector. Thus, by 1990, teachers' real wages had almost recovered to 1980 levels, but they had still not done nearly as well as workers in the private sector nor as well as the minimum wage.

Teachers found themselves (as wage-earners and public employees) in the role of constant adversaries of the government because of government's need to have wages lowered after 1983. They also saw the conditions of their work deteriorate as supplies were eliminated, more out-of-pocket expenses had to be borne by parents, and as teachers were increasingly blamed by government and the press for the perceived low standard of Costa Rican education.

Teacher salaries became an overriding issue in meeting Structural Adjustment goals. Public opinion, as articulated by the press and public officials, turned against teachers in general because, in the words of former Minister Pacheco, teachers "have an inferiority complex". Public opinion turned also against teachers' unions because the unions' conflictive tactics for salary demands (i.e. strikes) were seen as deteriorating the quality of education (i.e. with the loss of instruction), as increasing the salary burden on government budgets, and as increasing parents' contributions to schools.

As a result of lower teachers' salaries and deteriorating teaching conditions, the best educated teachers are leaving the system and are gradually being replaced by lower qualified and less expensive aspirantes. This situation is implicitly supported by international organizations. They assume that the only way around university-trained teachers (with their high salaries) is to substitute cheaper and more cheaply trained input. By the turn of the century, due to a combination of demographic pressures and less attractive conditions for the teacher profession, demand for qualified secondary education teachers will be double the available supply .

At present, decisions about educational policy are not guided mainly by prescriptions of how to improve the quality of education or equality of educational opportunity, but by the overriding concern of how to reduce educational expenditure, and of meeting the goals of Structural Adjustment. Thus, the teaching profession that the liberal state had promoted as the cornerstone of the cognitive and moral foundations of democracy, has become simply an input into the production process, one where costs have to be reduced.

Domestic Actors: Do they Matter? In a study comparing the responses of Argentina, Brazil and Mexico to Structural Adjustment, Kauffman emphasizes the importance of domestic politics. He distinguishes between short-term "situational" factors and more durable power relations shaped by organized interests and the characteristics of political regimes.[119]

According to this analyst, structural reforms in Costa Rica in the 1980's have faced strong political opposition.[120] Following Kauffman's distinction, this political opposition can be related to long-term organized interests and the characteristics of Costa Rican democracy. In part, this opposition resulted from the predominantly welfare state political culture of Costa Rica and the ideology of some Liberación Nacional legislators and politicians, who, as an observer argues, are deeply committed to the "long-established social priorities and statist principles of the party and saw no compelling need to rethink their approaches."[121]

It has been documented in this study how teachers and public employees have been using the complex Costa Rican legal system to challenge policy measures taken by the executive branch to meet Structural Adjustment goals. Two successful challenges to the executive have been a ruling recognizing teachers' status as professionals - thus significantly raising teachers' salaries at an overall cost of 5,000 million colones for the public sector[122] -, and the ruling that stayed the laying-off of 2,000 school cooks dismissed to meet mandated personnel reduction goals in the Ministry of Education. Thus, at the

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[119]See Robert R. Kauffman "Stabilization and Adjustment in Argentina, Brazil and Mexico". In J. M. Nelson (Ed), Economic Crisis and Policy Choice, The Politics of Adjustment in the Third World. Princeton, N.J.: Princeton University Press, 1990, p. 111.

[120]See Joan M. Nelson "The Politics of Adjustment in Small Democracies: Costa Rica, the Dominican Republic and Jamaica". In J. Nelson (Ed.) Economic Crisis and Policy Choice. The Politics of Adjustment in the Third World. Princeton, N.J.: Princeton University Press, 1990, p.170.

[121]Ibidem, p. 188.

[122]Conversation with President and General Secretary of labour federation SEC-CIMA (Sindicatos Educadores Costarricences - Confederación Intermagisterial), Costa Rica, 8 May 1991.

implementation level, obstacles to structural reforms resulted from "a pervasive and complex system of administrative regulations and laws, mostly designed to protect individual rights."[123]

However, labour opposition is less effective in a system characterized by "oligarchic" decision-making and fragmentation of Labour Federations.[124] Since there are at least three main trade unions representing teachers, trade union leaders feel weak because they cannot produce a united front for salary negotiations with the government. According to union leaders, decisions are taken by the economic cabinet in the government and trade unions are never consulted.[125]

Labour leaders complained that during the crisis and first phase of economic stabilization (1979-1983), workers lost 43 percent of their real salaries. During the first Structural Adjustment phase (1983-1986), workers improved their salary position, losing only 22 percent of their real salaries.[126] Trade unions fought to obtain salary increases in terms of a percentage linked to inflation instead of fixed amounts supported by the government. But labour leaders found they did not have any real power of negotiation with the government, and that, on occasions, they have to give the government "some breathing space" for its negotiations with the IMF.[127] Since salary increases based on fixed amounts rather than percentages benefitted the lowest salary levels, certified teachers' salaries deteriorated, prompting the strikes of 1989 and 1990, and the request to obtain professional status. The response of the government has been to challenge the constitutionality of the courts' ruling in salary matters ("laudo arbitral"). In addition, the government is preparing a new bill which, if passed by the National Assembly, will prevent public employees from referring their wage claims to the courts.

Looking at the design and implementation of Structural Adjustment programmes, Nelson argues that while external agencies played prominent roles, particularly providing extremely high levels of aid, domestic forces ultimately determined choices and action.[128] A careful review of the evidence in Costa

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[123]See Joan M. Nelson "The Politics of Adjustment in Small Democracies: Costa Rica, the Dominican Republic, and Jamaica". In J. Nelson (Ed.) op.cit., p. 188.

[124]Ibidem, p. 212

[125]Conversation with the General Secretary of the Secondary School Teachers Union, 10 May 1991.

[126]According to SEC-CIMA leadership, the creation of an index of basic products to estimate increases in cost of living (canasta salarial básica) and semestral salary increases helped to stabilize workers' salaries.

[127]According to SEC-CIMA leadership, interview 8 May 1991.

[128]See Joan M. Nelson "The Politics of Adjustment in Small Democracies: Costa Rica, the Dominican Republic, and Jamaica". In J. Nelson (Ed.) op.cit., p. 197.

Rica shows that, in fact, the personal style of governing of each Minister of Education and the expertise of their technical entourage, their ideological and political perceptions, and their own assessment of the role of domestic actors in education, particularly teachers, will have important effects on policy choices. It has been demonstrated above how two governments equally committed to Structural Adjustment have produced two different educational policies, one characterized by a typical neo-conservative policy agenda, while the other displaying a middle-of-the road approach.

Although concerned with issues of quality of education and equality of educational opportunity in terms of access and permanence in the system, teacher unions have concentrated their actions on protecting teachers' salaries and working conditions. Working in a reactive rather than pro-active fashion, they have been unable to advance alternative proposals for educational reform. Associations of parents and communities are not very prominent in Costa Rican education, and their voices are, by and large, absent in debates on education.

In the context of Costa Rican democracy, academicians play a meaningful role in forming public opinion, particularly through scientific journalism. In addition, through their participation in countless committees in the universities and in government agencies (particularly at the Ministry of Education and in inter-agency government councils), the opinion of academicians may be incorporated into reform proposals. Indeed, the consensual nature of the Costa Rican system gives room for often acrimonious and protracted discussions over alternative reform proposals. In the last analysis, however, policy choices seem to be confined to the Ministry of Education and its ability to negotiate with international organizations.

The Role of International Organizations. In a recent comparative study it is argued that :

> "Power asymmetries did influence the degree to which the international financial institutions intervene in the implementation of stabilization and Structural Adjustment programmes. External agencies were far more willing to exercise detailed oversight in smaller countries with weak state capabilities. The degree of success in implementation, however, was influenced far more by features of internal politics than by fluctuations in external advice and conditionality."[129]

Costa Rica is a small country subject to the strong influence of international organizations. However, the history of state intervention and an extensive social network as well as the characteristics

[129]See Miles Kahler "Orthodoxy and Its Alternatives: Explaining Approaches to Stabilization and Adjustment". In J. M. Nelson (Ed.), op.cit., p. 57.

of Costa Rican democracy and political competition account for the peculiarities of policy implementation.

The USAID, the World Bank and the Inter-American Development Bank have been extremely active in proposing and helping the design of educational policies. The lack of a research unit in the Ministry of Education, the continuous rotation of policy-planning teams in the Ministry of Education and sporadic educational research conducted in the country may have prevented domestic players from articulating an alternative policy to that of the international organizations. Moreover, the lack of strong institutional educational advocates in Costa Rica, further undermines local efforts. Thus, the parallels between policy proposals originated from the Ministry of Education itself and those emerging from research conducted by the World Bank or policy papers of USAID and the Inter-American Development Bank are striking.

It seems that only in the last few years has Costa Rica's academic community begun to articulate alternative proposals on education. This is mainly a reaction to the fact that the privileged constitutional status of public universities in Costa Rica is at risk. It is being contested in the reform proposals originated in international organizations and in several government quarters--most recently in a number of public interventions by the Minister of Economy (Hacienda). Growing academic participation in education is also a reaction to what many academics perceive as the end of the amiable political "co-habitation" between public universities and government--given the strong support that private universities are getting in some government circles.

Thus, many intellectuals in the universities feel strongly inclined to articulate proposals for a comprehensive educational reform, including the role of public universities in the context of Structural Adjustment. But they have not yet been able to articulate such a comprehensive proposal.

Pressing issues of Costa Rican education such as quality of education and teacher training have prompted more dialogue between the universities and the Ministry of Education. In so doing, the universities are taking a more pro-active role by trying, at the same time, to get access to funding resulting from the new educational loan being negotiated between the government of Costa Rica, the Inter-American Development Bank and the World Bank.[130] The universities want to preserve their leading role in teacher training and avoid any drastic reduction in the length of teacher training programmes.

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[130]See Consejo Nacional de Rectores. Oficina de Planificación de la Educación Superior. Propuesta de las Instituciones de Educación Superior Estatal. Universidad de Costa Rica Universidad Nacional y Universidad Estatal a Distancia (UCR-UNA-UNED) Para la Formación de Educadores. San José, OPES, April 1991.

9. Concluding Remarks.

This report has addressed a number of questions and queries including the following: Why and how Costa Rican governments take decisions; how are policies implemented; who are the key actors and what is the rationale of educational policies attempting to match the goals of structural adjustment; what strategies for implementation have been devised, and what are the implications and repercussions of these policies in terms of equity, equality, educational expansion and quality of education?

Costa Rica case is not a typical developing country. Furthermore, the very recent policy implementation of structural adjustment makes it more difficult at this point to identify competing patterns in the process of policy negotiation or to predict the direction and impact of structural adjustment in the educational system. The privileged position of Costa Rica in the world system made possible generous external support that helped to equalize income distribution. After the crisis of 1980-81 and the implementation of policies of stabilization and structural adjustment, Costa Rica experienced an economic recovery. However, the large amount of external assistance makes it impossible to attribute the recovery to the adjustment policies themselves. What is evident, however, is that external assistance has made Costa Rica more dependent on foreign expertise in the elaboration of its policies.

In the context of heterodox models as applied in Costa Rica, educational policies under conditions of Structural Adjustment take teachers' behaviour very seriously. The basic thrust of many of the proposals originating in international donor and lending organizations is to devise teacher-proof policies. On the one hand, the attempt is to lower teacher costs, and diploma or university-educated teachers are more expensive than cheaply trained personnel. On the other hand, the emphasis on increasing the provision of pre-packaged didactic materials, textbooks and education through mass media and at distance technologies is seen as an attempt not only to improve the quality of education while at the same time reducing costs, but also an attempt to control teachers politically as social and educational agents. In Costa Rica, however, teachers and teachers' unions have shown that they are highly resilient to government encapsulation when austerity policies are in place.

The texture and dynamics of the Costa Rican policy process shows that the government, through the Ministry of Education and its constant interaction with international organizations, and teachers, teachers' unions, and academics defending their rights, wages and working conditions, emerged as the key policy actors. Parents and civil society organizations are conspicuously absent in the formulation of educational policies. In the legalist political context of Costa Rica, the confrontation between government

and teachers took place in the courts, and the teachers prevailed. The cost of this conflict can be assessed in terms of how many contact hours were lost due to strikes or how the Ministry will finance the teachers' pay awards, but also in terms of lower teachers' and parents' morale.

In short, the educational process under conditions of austerity and structural adjustment in Costa Rica will show that:

(1) Decisions were top down and highly politicized rather than technocratic. After 1981, the share of education in public expenditure certainly declined, and keeping the educational budget down by holding down teachers' real salaries is clearly related to the conditionalities imposed by international lenders, both bilateral and multilateral. After the crisis, educational budgets never regained the importance they had in government spending since the early seventies.

(2) Decision-making was clearly reactive rather than a result of purposeful technical planning. While the educational administrations struggled to adapt their policies to the conditionalities of structural adjustment and the policy preferences of international lenders, teachers, teachers' unions and academics struggled to defend the old educational consensus, labour conditions and wages.

(3) Educational priorities have indeed shifted. The attempt to expand and diversify the educational system, and particularly secondary education, as a means of democratization, came to an end after 1981. Could the change in education's share be explained by the composition of educational expenditure (e.g. higher share of salaries)? If this is the case, under the conditionalities of structural adjustment, reduction of educational expenditure could be seen as a "mechanicist" or "automatic" phenomenon. Initially, however, with a drastic reduction in real wages, teachers suffered more than other civil servants. To keep education spending from increasing from the already greatly reduced levels of 1981-1982, three consecutive Costa Rican governments necessarily focused on holding down teacher salaries - by far the largest component of educational spending - and shifting the direct cost of school supplies to parents. This policy happened to be consistent with the ideology of international agencies as regards the inefficiency and incompetence of the public sector and the efficiency and effectiveness of the private sector.

(4) The reaction of teachers' organizations was also a logical response to these financially driven government policies. Teachers fought back through threatened strikes and in the courts to try to raise their salaries back to 1970's levels and, mainly because of the legalistic nature of Costa Rican society, they were largely successful. So real teacher salaries rose sharply at the end of the 1980's.

(5) Even if the required government reduction in public spending on education was not ultimately successful, we argue that the attempt to hold down salaries and the teachers' reaction had important negative implications for educational expansion, notably at the secondary level.

(6) There is an empirical question of whether access to higher levels of schooling for lower socio-economic class children became more restricted and different from the past, and the general tenor of Costa Rica's human resource development changed. At the university level, although enrolment grew quite rapidly, the average social class also increased. Thus, social homogeneity and higher class stratification may be a by-product of rapid educational expansion carried out in satellite campuses outside of San Jose and the rapid structuring of a new system into a social hierarchy of campuses and faculties. The result of the decisions made by successive governments was that costs of education were only slightly contained but that secondary school enrolment and quality, most associated with the democratization of Costa Rican education, also never recovered from the impact of the crisis a decade earlier.

Overall, this examination of educational change and structural adjustment in Costa Rica shows that accountability in education has shifted. International organizations, particularly the World Bank, are defining what educational policy Costa Rica should pursue. The principles of this political economy of schooling are inspired by a number of considerations, but the overriding concern is financial, namely, how to save money.

TABLE 1. COSTA RICA: ECONOMIC GROWTH AND STRUCTURE, 1970-1988 (billion 1985 colones and percent)

Year	Real GDP (10^9 Col.)	Percent Agricult.	Percent Industry	Percent Services	Real GDP per Cap. (10^3 col)
1970	112.7	22.5	24.2	53.3	65.2
1975	151.1	20.3	27.4	52.3	77.1
1980	195.1	17.8	26.9	55.2	86.7
1982	176.8	24.5	25.7	49.8	76.2
1983	181.9	22.0	28.6	49.4	74.5
1984	196.5	21.2	29.4	49.3	81.2
1985	197.9	18.8	28.8	52.3	79.5
1986	208.9	21.1	27.5	51.4	76.7
1987	218.8	17.9	27.5	54.6	78.7
1988	226.4	18.4	27.6	54.0	79.4
1989	239.2				81.9

Source: International Monetary Fund, International Financial Statistics Yearbook, 1990. World Bank, World Tables, 1989-90.

TABLE 2. COSTA RICA: GROSS DOMESTIC PRODUCT, GOVERNMENT SPENDING, AND GOVERNMENT SPENDING ON EDUCATION, 1971-1990 (million current colones and percent)

Year	(1) Gross Dom. Product	(2) Total Public	(3) Education	(4) (2)/(1)	(5) (3)/(1)	(6) (3)/(2)
1971	7,137	1,043.7	307.3	14.6	4.3	22.6
1972	8,216	1,245.4	381.6	15.1	4.6	26.0
1973	10,162	1,626.0	464.8	16.0	4.6	24.0
1974	13,216	2,269.9	612.2	17.1	4.6	27.0
1975	16,805	2,869.7	850.6	17.1	5.1	29.6
1976	20,676	3,940.1	1,097.4	19.0	5.3	27.8
1977	26,331	4,565.5	1,313.2	17.3	5.0	28.8
1978	30,194	6,083.3	1,718.3	20.1	5.7	28.2
1979	34,584	7,373.2	2,032.3	21.3	5.9	27.6
1980	41,406	9,426.5	2,309.7	22.8	5.6	24.5
1981	57,103	10,017.4	2,727.9	17.5	4.8	27.2
1982	97,505	16,532.8	4,129.7	17.0	4.2	25.0
1983	126,337	27,649.0	5,855.6	21.9	4.6	21.2
1984	163,011	33,646.5	6,845.3	20.6	4.2	20.3
1985	197,920	36,854.6	8,006.5	18.6	4.0	21.7
1986	246,579	54,660.2	10,436.8	22.2	4.2	19.0
1987	284,339	54,890.5	11,661.6	19.3	4.1	21.2
1988	355,968	68,525.9	13,862.8	19.2	3.9	20.2
1989	433,136	84,415.8	17,205.2	19.5	4.0	20.4
1990	515,219[a]	110,895.1	22,262.6	21.5	4.3	20.1

Sources: Col. (1) IMF, International Financial Statistics, 1990.
Col. (2) and Col. (3). Government of Costa Rica, Official Statistics.
Note: a. Preliminary data obtained from la Seccion de Cuentas Nacionales del Banco central de Costa Rica.

TABLE 3. COSTA RICA: GOVERNMENT SPENDING BY MINISTRY, 1971-1990 (current colones and percent) cont.p.63

Year	Total	Education	Finance	Works	Public Health	Public Labour	Housing
1971	1,356.9	22.6	17.8	20.1	5.3	4.6	---
1972	1,468.8	26.0	18.2	19.6	5.1	3.6	---
1973	1,938.7	24.0	21.6	16.7	4.2	3.3	---
1974	2,269.9	27.0	21.3	19.0	6.3	5.2	---
1975	2,869.7	29.6	19.8	17.0	5.8	5.6	---
1976	3,940.1	27.8	19.5	19.2	5.4	5.2	---
1977	4,565.5	28.8	19.2	17.2	4.7	5.4	---
1978	6,083.3	28.2	20.6	18.6	5.7	5.2	---
1979	7,373.2	27.6	20.9	20.0	4.7	5.3	---
1980	9,426.5	24.5	28.7	19.6	3.7	5.2	---
1981	10,017.4	27.2	24.4	19.1	4.1	6.3	---
1982	16,532.8	25.0	27.3	20.4	2.8	6.0	---
1983	27,649.0	21.2	28.3	22.1	2.8	6.2	---
1984	33,646.5	20.3	26.9	20.4	3.8	7.5	---
1985	36,854.6	21.7	29.1	16.6	3.7	7.0	---
1986	54,660.2	19.0	33.3	10.5	6.4	7.7	2.2
1987	54,890.5	21.2	25.2	8.5	3.8	9.2	2.1
1988	68,525.9	20.2	31.7	8.9	3.1	9.5	3.9
1989	84,415.8	20.4	34.0	6.6	3.3	9.7	3.9
1990	110,895.1	20.1	39.4	5.9	3.2	9.9	2.1

Source: Government of Cost Rica, Official Budget Data. Column (1) is in current colones; all other columns are in percent. "Finance (Hacienda)" explicitly includes debt service in 1971-1973 and 1988-1990. Debt service is assumed included in Hacienda in other years. Social security pensions are included under "Labour." Justice includes the Ministry of Justice and "Poder Judicial." Other includes a host of smaller budget items, including the Presidency, the Ministry of Culture and Sport, etc.

	Education/Total-Finance	Education/Total-Finance -Public Works
1979	34.9	46.7
1980	34.4	47.4
1982	34.4	47.8
1985	30.6	46.9
1987	28.3	32.0
1988	30.0	34.0
1990	33.1	36.7

TABLE 3. (continued)

Year	Government (Gobernacion)	Public Security	Agriculture	Justice	Other
1971	3.9	2.1	2.3	3.4	17.9
1972	3.9	2.1	2.4	3.6	15.5
1973	3.4	2.0	2.0	3.2	19.6
1974	5.3	2.2	3.0	3.3	7.4
1975	5.9	2.4	2.9	3.5	7.5
1976	4.1	2.6	5.1	3.7	7.4
1977	4.7	3.6	2.5	3.9	10.0
1978	5.6	2.5	2.5	3.8	7.3
1979	2.6	2.8	4.3	4.5	7.3
1980	2.3	2.3	2.9	4.2	6.4
1981	2.4	2.4	2.8	5.0	6.3
1982	2.5	3.0	2.8	4.4	5.8
1983	2.6	2.5	5.0	3.9	5.4
1984	2.6	2.6	4.3	4.6	7.0
1985	2.7	2.4	3.4	4.8	8.7
1986	2.2	1.9	4.9	4.4	7.5
1987	2.4	2.3	12.4	5.2	7.7
1988	2.6	2.2	4.4	5.3	8.2
1989	2.6	2.1	3.6	5.5	8.3
1990	2.0	1.8	3.5	5.3	6.8

TABLE 4. CURRENT EDUCATIONAL SPENDING, BY LEVEL AND TYPE OF SPENDING, 1971-1990 (millions of current colones)

	Primary		Secondary		University	
	Salaries	Other	Salaries	Other	Salaries	Other
1971	173.3	0.7	61.8	1.3	43.7	
1975	354.9	6.7	154.9	9.0	195.6	
1979	704.0	6.0	326.2	23.2	546.4	
1980	850.1	4.0	397.4	25.5	597.1	
1981	990.3	11.4	451.2	30.5	787.8	
1982	1376.6	20.7	615.3	36.5	1383.7	
1983	1922.4	24.8	825.4	62.3	2261.5	
1984	2306.0	38.5	959.9	71.2	2480.2	
1985	2684.0	45.6	1084.3	79.8	2979.0	
1986	3404.5	71.7	1311.5	108.5	3877.0	
1987	3967.5	111.0	1478.1	123.4	4254.0	
1988	4904.9	121.9	1818.2	156.3	4895.5	
1898	5834.4	171.4	2190.2	170.6	5921.0	
1990	6826.6	249.1	2528.2	230.6	7213.1	

Source: Government of Costa Rica: Official Budget Statistics.
Notes: Other refers to materials, non-personnel services and (mainly) undefined transfers. University data are not separated into personnel salaries and other expenditures, since this amount is voted by the legislature and transferred to the university in one lump sum.

TABLE 5. COSTA RICA: CHANGES IN FAMILY INCOME, BY LEVEL OF EDUCATION, 1980-1988 (1980 colones and index)

	Year			
Category	1980	1982	1985	1989
Costa Rica	2296	1348	1989	2375
No Schooling	1480	917	1384	1558
Some Primary	1845	1056	1607	1924
Primary Complete	2069	1188	1685	1938
Some Secondary	2287	1371	1864	2163
Secondary Complete	3110	1937	2457	2926
Higher Education	5048	3096	3625	4513
Costa Rica	100	59	87	103
No Schooling	100	62	93	105
Some Primary	100	57	87	104
Primary Compl.	100	57	81	94
Some Secondary	100	60	81	95
Secondary Compl.	100	62	79	94
Higher Educ.	100	61	72	89

Source: Ronulfo Jimenez Rodriquez and Victor Hugo Cespedes Solano, Costa Rica: Política Económica, Cambio Estructural y Situación Social Durante la Crisis y la Recuperación, Seminario sobre políticas económicas en Costa Rica, San José, March, 1990, Table 4 and 5.

TABLE 6. COSTA RICA: CHANGES IN UNEMPLOYMENT RATES, BY LEVEL OF EDUCATION OF FAMILY HEAD, 1980-1988 (percent)

	Year			
Category	1980	1982	1985	1989
Costa Rica	5.5	8.1	6.0	2.7
No Schooling	4.8	10.7	8.2	4.5
Some Primary	7.4	9.1	7.3	4.0
Primary Complete	4.9	7.7	5.9	2.5
Some Secondary	3.4	7.7	5.5	1.7
Secondary Complete	4.1	6.0	3.8	0.5
Higher Education	1.4	3.1	3.0	0.7

Source: Ronulfo Jimenez Rodriquez and Victor Hugo Cespedes Solano, Costa Rica: Política Económica, Cambio Estructural y Situación Social Durante la Crisis y la Recuperación, Seminario sobre políticas económicas en Costa Rica, San José, March, 1990, Table 4.

TABLE 7. COSTA RICA: GINI COEFFICIENTS OF CIVIL SERVICE BASE SALARIES, 1983-1989

Year	Gini Coefficient
January 1983	0.0994
January 1984	0.1151
January 1985	0.1369
January 1986	0.1244
January 1987	0.1126
January 1988	0.1002
January 1989	0.0874
January 1990	0.1100

Source: Francisco Ramirez and Marvin Acuña Ortega, Estudio de la posición salarial y de la desigualdad existente en la distribución interna de la masa salarial de los servidores publicos cubiertos por el régimen del servicio civil, Consejo Permanente de los Trabajadores, June, 1990, Table 15.

TABLE 8. COSTA RICA: FOREIGN ASSISTANCE, 1983-89 (millions of current U.S. dollars)

Year	Technical Cooperation	Financial Assistance[a]	Total
1983	22.6	289.5[b]	312.1
1984	50.0[c]	106.0	156.0
1985	52.9	531.2	636.7[d]
1986	52.6		
1987	65.3	169.7	235.0
1988	87.7	15.0	102.7
1989	81.0	287.0	368.0
TOTAL	412.1	1,398.4	1,810.5

Source: United Nations Development Fund, Foreign Assistance to Costa Rica, various years. 1984 data based on Central Bank of Costa Rica and presented in Jorge Rovira and Juan Diego Trejos, El curso de la crisis de Costa Rica y las opciones de política económica en el segundo lustro de los años ochenta. Instituto de Investigaciones Sociales, Facultad de Ciencias Sociales, Universidad de Costa Rica, No. 53, 1985, p. 15.

Notes: a. Payments in arrears (principal and interest) have not been included, nor has contigency financing for arrears. For instance, in 1981-84, arrears amounted to $332, $573, $348, and $248 million, respectively. Due to Costa Rica's unilateral suspension of debt service payments in 1981 and 1982, this produced, in effect, compulsory additional financing by banks: in 1983, debt repayment was renegotiated and refinanced. Loans from private banks are not included, they are also considered as foreign private investment.

b. Of this amount, $203.6 million was from AID. In 1983-1984, USAID contributed 25 percent of total foreign assistance to Costa Rica.

c. Approximate.

d. The financial assistance data for 1985-86 are presented for the two years together.

TABLE 9. COSTA RICA: PRIMARY SCHOOL ENROLMENT AND PUBLIC EDUCATIONAL SPENDING ON PRIMARY EDUCATION, 1970-1988

Year	(1) Public Primary Enrolment (thous.)	(2) Private Primary Enrolment (thous.)	(3) Public Spending on Primary (10^6 col.)	(4) Real Public Spending (1985 col)	(5) Real Spending Per Pupil (1985 col)
1970	349.4	n.a.	163.1	2811.8	8048
1971	n.a.	n.a.	174.2	2952.7	n.a.
1972	352.3	13.2	193.9	3077.2	8735
1973	359.8	14.1	230.6	3203.0	8902
1974	354.1	13.8	280.9	3157.3	8916
1975	348.1	13.3	361.6	3254.4	9349
1976	356.4	12.1	439.1	3376.7	9474
1977	353.1	12.3	530.3	3489.4	9882
1978	352.6	12.0	624.5	3809.4	10804
1979	352.2	11.7	710.0	3968.9	11269
1980	345.6	9.1	854.2	4031.8	11666
1981	344.6	9.0	1,001.7	3345.7	9709
1982	336.4	9.8	1,397.3	2529.1	7518
1983	336.7	10.5	1,947.3	2804.1	8328
1984	343.1	10.9	2,344.5	2813.4	8200
1985	353.5	12.5	2,729.6	2729.6	7722
1986	370.2	13.2	3,476.2	2954.8	7982
1987	380.2	15.7	4,078.5	3140.4	8260
1988	394.2	18.0	5,026.6	3217.0	8161
1989	405.0[a]	20.0[a]	6,005.8	3315.2	8186
1990	415.0[a]	22.0[a]	7,075.8	3325.6	8013

Source: Enrolment, 1970-1979: Ministry of Education, Costa Rica; 1980-1988 and expenditure, 1970: UNESCO, Statistical Yearbook, 1978-79, 1985, 1989, Tables 3.4, 3.7, 3.11, 4.1, 4.7. Expenditures, 1971-1990: Ministry of Education, Costa Rica.
Note: a. Approximate.

TABLE 10. COSTA RICA: SECONDARY SCHOOL ENROLMENT AND PUBLIC EDUCATIONAL SPENDING ON SECONDARY EDUCATION, 1970-1988

Year	(1) Public Acad. Secondary Enrolment (thous.)	(2) Private Acad. Secondary Enrolment (thous.)	(3) Public Spending on Sec. (10^6 col.)	(4) Real Public Spending (1985 col)	(5) Real Spending Per Pupil (1985 col)
1970	n.a.	n.a.	n.a.	n.a.	n.a.
1971	n.a.	n.a.	63.1	1,069.5	n.a.
1972	84.5	11.4	80.0	1,269.6	15,025
1973	102.5	15.1	103.7	1,440.3	14,052
1974	118.9	13.5	129.5	1,455.6	12,242
1975	125.9	10.1	164.0	1,476.0	11,723
1976	134.4	9.2	209.4	1,610.3	11,981
1977	149.4	10.1	258.3	1,699.6	11,376
1978	161.3	9.5	312.8	1,908.1	11,829
1979	173.1	8.5	349.5	1,953.7	11,286
1980	133.7	10.8	422.9	1,996.1	14,930
1981	131.7	9.7	481.7	1,608.9	12,220
1982	127.4	9.3	651.8	1,179.8	9,260
1983	118.8	9.1	888.7	1,279.7	10,770
1984	113.5	9.0	1,041.1	1,249.3	11,010
1985	107.1	8.4	1,164.2	1,164.2	10,870
1986	108.3	8.6	1,420.0	1,207.0	11,140
1987	108.3	9.3	1,611.5	1,240.8	11,460
1988	107.8	10.1	1,974.4	1,263.6	11,720
1989	108.0[a]	10.0[a]	2,360.8	1,303.2	12,070
1990	109.0[a]	11.0[a]	2,758.8	1,291.9	11,852

Source: Enrolment, 1972-1979: Ministry of Education, Costa Rica; 1980-1988: UNESCO, Statistical Yearbook, 1985, 1989, Tables 3.4, 3.7, 3.11, 4.1, 4.7. Expenditure, 1971-1990: Ministry of Education, Costa Rica.
Note: a. Approximate.

TABLE 11. COSTA RICA: VOCATIONAL SCHOOL ENROLMENT AND PUBLIC EDUCATIONAL SPENDING ON VOCATIONAL EDUCATION, 1970-1990

Year	(1) Public Vocat. Enrolment (thous.)	(2) Private Vocat. Enrolment (thous.)	(3) Public Spending on Vocat. (10^6 col.)	(4) Real Public Spending (1985 col)	(5) Real Spending Per Pupil (1985 col)
1970	n.a.	n.a.	n.a.	n.a.	n.a.
1971	n.a.	n.a.	12.1	205.1	n.a.
1972	6.5	5.7	16.1	255.5	39,300
1973	12.9	6.0	23.1	320.8	24,900
1974	17.3	2.9	37.3	419.2	24,200
1975	20.0	2.6	53.6	482.4	24,100
1976	22.2	2.5	74.1	569.8	25,700
1977	26.5	2.2	98.7	649.4	24,500
1978	29.9	2.0	124.8	761.3	25,500
1979	33.3	1.7	145.9	815.6	24,500
1980	29.0	--	172.6	814.7	28,100
1981	29.4	--	200.9	671.0	22,800
1982	28.6	--	279.9	506.6	17,700
1983	25.8	--	374.0	538.5	20,900
1984	24.8	--	436.1	523.3	21,100
1985	23.6	--	511.8	511.8	21,700
1986	24.5	--	651.4	553.7	22,600
1987	24.7	--	747.9	575.9	23,300
1988	24.6	--	904.5	578.9	23,500
1989	25.0[a]	--	1,157.2	638.8	25,600
1990	25.0[a]	--	1,413.0	661.2	26,400

Source: Enrolment, 1972-1979: Ministry of Education, Costa Rica; 1980-1988: UNESCO, Statistical Yearbook, 1985, 1989, Tables 3.4, 3.7, 3.11, 4.1, 4.7. Expenditure, 1971-1990: Ministry of Education, Costa Rica.
Note: a. Approximate.

TABLE 12. COSTA RICA: HIGHER EDUCATION ENROLMENT AND PUBLIC EDUCATIONAL SPENDING ON HIGHER EDUCATION, 1970-1988

Year	(1) Public Higher Ed. Enrolment (thous.)	(2) Private Higher Ed. Enrolment (thous.)	(3) Public Spending on Higher (10^6 col)	(4) Real Public Spending (1985 col)	(5) Real Spending Per Stud. (1985 col)
1970	12.9	--	33.4	575.8	44,635
1971	15.2	--	44.7	757.7	49,848
1972	17.6	--	73.0	1158.5	65,823
1973	24.1	--	77.9	1082.0	44,896
1974	28.3	--	111.8	1256.6	44,403
1975	32.8	--	195.8	1762.2	53,725
1976	36.3	0.2	189.8	1459.6	40,209
1977	38.6	0.3	320.7	2110.2	54,668
1978	42.6	1.1	403.3	2460.1	57,748
1979	44.9	2.3	546.4	3054.4	68,026
1980	47.9	2.9	597.2	2819.8	58,885
1981	49.9	4.0	787.8	2631.2	52,729
1982	49.6	4.8	1383.8	2504.7	50,498
1983	48.5	5.7	2261.5	3256.6	67,146
1984	47.6	6.8	2480.2	2976.2	62,525
1985	50.0	8.4	2979.0	2979.0	59,580
1986	51.9	8.4	3877.0	3295.4	63,495
1987	56.0	9.5	4254.0	3275.6	58,492
1988	53.3	10.8	4895.5	3133.1	58,782
1989	57.7	10.9	5921.0	3268.4	56,645
1990	n.a.	n.a.	7213.1	3368.5	n.a.

Source: Enrolment, 1970-1979: Ministry of Education, Costa Rica; 1980-1988 and expenditures, 1970: UNESCO, Statistical Yearbook, 1978-79, 1985, 1989, Tables 3.4, 3.7, 3.11, 4.1, 4.3. Expenditure, 1971-1990: Ministry of Education, Costa Rica.
Note: a. Approximate.

TABLE 13. CENTRAL AMERICA: STUDENT-TEACHER RATIOS, BY SCHOOLING LEVEL, 1975-1988

	Schooling Level and Year											
	Elementary				Secondary				University			
Country	75	80	85	88	75	80	85	88	75	80	85	88
C. Rica	29	29	32	32	23	19	17	18	-	10	10[a]	-
Honduras	35	37	-	39[a]	18	28	-	26[a]	16	17	13	12[b]
Nicarag	-	35	33	32[b]	35	33	-	-	17	-	11	14[b]
El Salv	-	44	48[c]	48	44	18	24	24[c]	28	14	29	18
Guatem	35	34	37	35[b]	16	18	14	15	16	13	-	-
Panama	27	27	25	23	23	21	19	19	17	15	14	17[a]

Source: UNESCO, Statistical Yearbook, 1990.
Notes: a. 1986
b. 1987
c. 1984

TABLE 14. COSTA RICA: TEACHER BASE SALARIES COMPARED TO ALL GOVERNMENT WORKERS AND INDUSTRIAL WORKERS, 1975-1990 (1985 colones per month)

Year	Primary Aspirante	Primary Teacher	Secondary Teacher	Average Government	Worker Mkt. Wage
1975	7,220	9,180	13,780	11,710	n.a.
1976	8.240	10,140	14,580	n.a.	n.a.
1977	9,424	11,250	15,200	n.a.	n.a.
1978	11,480	13,200	17,790	n.a.	n.a.
1979	11,550	13,120	17,325	n.a.	n.a.
1980	11,125	12,460	16,020	17,633	n.a.
1981	9,750	10,725	13,325	14,025	n.a.
1982	8,660	9,180	10,545	10,634	n.a.
1983	8,800	9,190	10,220	11,322	5,605
1984	8,570	8,910	9,830	11,965	5,628
1985	8,380	8,950	9,850	12,306	6,955
1986	8,550	9,570	10,550	13,245	7,580
1987	8,020	9,260	10,150	13,240	7,515
1988	7,770	9,340	10,030	12,903	7,360
1989	9,390	11,125	11,930	13,828	7,755
1990	10,100	11,900	12,760	n.a.	7,945

Source: Ministry of Education, Salary Indices. Industrial wages from Maurilio Aguilar Rojas, Evolución de los Salarios Industriales. 1980-1990, Cámara de Industrias de Costa Rica, April 1990, Tables A-4 and A-6.
Notes: Primary teacher taken as Pt-3, a middle level primary teacher salary. Secondary teacher taken as Mt-3, a middle level secondary teacher salary. Most secondary teachers are at Mt-4, with a base salary of 13,450 (1985) colones in 1990 - about 700 colones per month higher. Average government includes teachers.

TABLE 15. COSTA RICA: PERCENT TEACHING PERSONNEL, WITHOUT HIGHER EDUCATION (ASPIRANTES AND AUTORIZADOS)[a]

Level of Schooling/Region	Year 1987	1990	1991
Primary	22.6	21.6	25.0
Central Region	21.9	n.a.	25.1
Other Regions	31.9	n.a.	24.7
Secondary	9.7	22.9	23.9
Science	11.7	33.9	34.0
Central Region		27.0	30.6
Other Regions		48.4	42.0
Spanish	8.3	28.2	28.9
Central Region		19.9	28.8
Other Regions		46.3	29.3
Mathematics	13.1	24.6	25.0
Central Region		18.4	16.0
Other Regions		39.4	43.0
Social Studies	4.7	4.6	20.7
Central Region		3.5	15.9
Other Regions		7.3	30.0
English	10.3	15.6	16.1
Central Region		10.4	10.1
Other Regions		33.0	33.2

Source: Costa Rica, Ministry of Education.
Note: a. Of these, depending on the subject, about 91-96 percent are aspirantes and 4-9 percent are autorizados.
b. Includes San José, Puriscal, Alajuela, San Ramon, Cartago, Heredia, and Turraba.

Table 16. COSTA RICA. Internal Efficiency of the System. Primary (I-II Cycle) and Secondary (III-Cycle and Diversified Education)

Year	Promotion Rates[a]			Aplazados (Course Failure)[b]		
	I-C	II-C	III-C	I-C	II-C	III-C
1975	85.2	92.7	62.1	5.4	3.7	24.1
1976	86.6	92.2	64.9	5.4	3.8	25.0
1977	87.2	92.9	68.6	5.7	3.8	23.3
1978	86.8	93.6	69.9	5.9	3.6	22.5
1979	86.8	93.8	68.5	5.8	3.5	23.5
1980	87.1	93.3	65.5	5.6	3.8	25.8
1981	88.0	93.3	68.2	5.2	3.9	24.7
1982	81.1	88.3	55.2	7.2	6.3	32.4
1983	82.0	88.8	54.7	6.8	6.2	33.3
1984	82.1	89.2	54.5	6.7	6.0	34.2
1985	82.9	90.1	56.0	6.3	5.6	33.8
1986	82.4	90.0	53.2	6.6	5.7	35.3
1987	81.5	88.4	54.4	7.0	6.7	34.2
1988	81.0	88.0	51.5	7.2	7.1	34.5
1989	80.3	85.9	51.8	7.6	8.8	34.6

Year	Reprobados (Grade Failure)[c]			Desertores (School Drop outs)[d]		
	I-C	II-C	III-C	I-C	II-C	III-C
1975	9.4	3.4	13.8	3.9	3.0	12.7
1976	8.0	4.0	10.1	4.7	3.7	10.3
1977	7.1	3.3	8.2	3.8	2.7	17.1
1978	7.3	2.8	7.6	3.4	4.1	8.5
1979	7.5	2.7	8.0	4.9	3.7	9.6
1980	7.3	2.9	8.6	5.0	3.7	12.2
1981	6.8	2.8	7.1	4.4	3.4	12.8
1982	11.6	5.4	12.3	4.8	3.8	16.2
1983	11.2	5.0	11.9	3.4	2.7	14.3
1984	11.0	4.8	11.4	3.3	2.4	14.8
1985	10.8	4.3	10.2	2.8	2.2	14.7
1986	11.1	4.3	11.4	2.6	2.0	14.6
1987	11.6	4.9	11.4	2.7	2.0	16.3
1988	11.7	4.8	14.0	2.5	1.8	15.0
1989	12.1	5.3	13.6	1.3	1.8	14.8

Source: MINEP. Indicadores Sociodemográficos. San José, August 1991.
Notes: a. Students are promoted to the following grade when they have successfully completed their course work in all their courses.
b. The category "Aplazados" refers to students who have failed one or two courses or subject matter, and may have a second chance to credit them with additional examinations at the end of the year.
c. The category "Reprobados" refers to students who have failed to obtain the grade they were enrolled in.
d. Compared to initial enrolment.

TABLE 17. COSTA RICA: REPETITION AND DROPOUT RATES, BY LEVEL OF SCHOOLING, 1960-1989 (percent)

	Level of Schooling			
	Elementary		Secondary	
Year	Repetition	Dropout	Repetition	Dropout
1960	6.6			
1964	6.0			
1968	3.7			
1970	10.3	5.2	12.6[a]	12.0
1975	2.5[b]	3.4	n.a.	11.2
1980	7.8	4.2	7.5	12.3
1984	10.9[c]	2.6	12.1	14.7
1988	n.a.	2.3	14.0	14.6
1989	11.1	2.1	n.a.	14.7

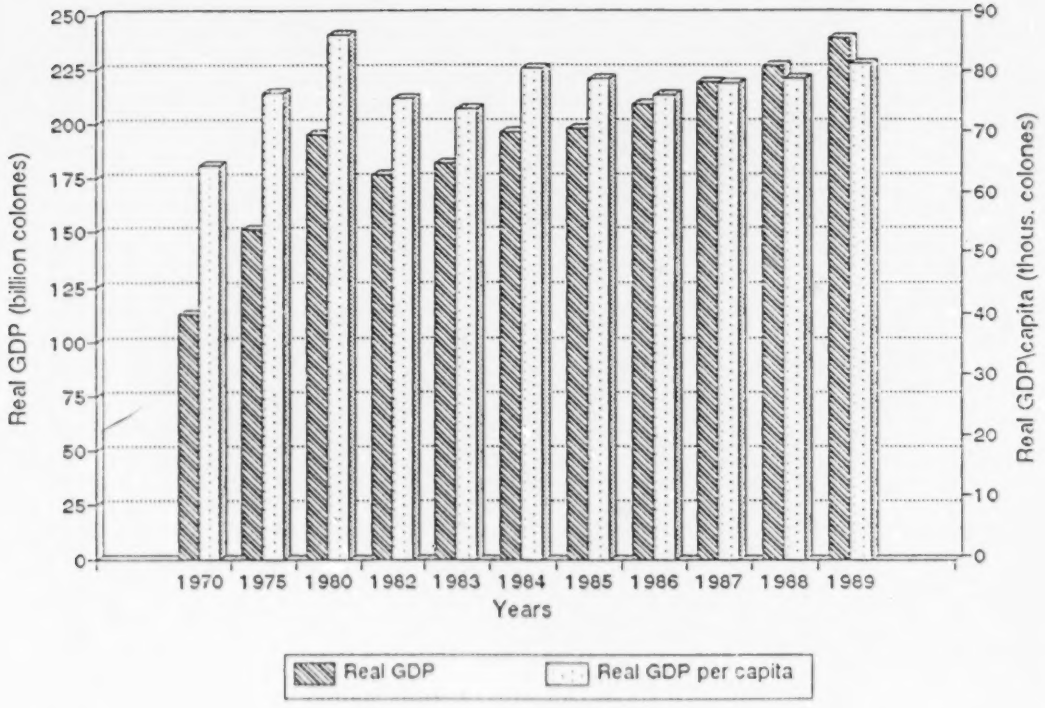
Source: Costa Rica, Ministerio de Educacion Publica, La educación Costarricence en cifras, 1970-1990. Division de Planeamiento y Desarrollo Educativo, San Jose, June, 1990. Ministerio de Panificacion Nacional y Politica Economica, Costa Rica: Indicadores sociodemográficos, período 1975-1989. San Jose, August, 1990.
Notes: a. Day schools only.
b. Public sector only.
c. 1985.

TABLE 18. CENTRAL AMERICA:PRIMARY EDUCATION REPETITION RATES, 1980-1988 (percent)

	Year		
Country	1980	1985	1988
Costa Rica	8	11	11
Honduras	16	16[a]	15
Nicaragua	17	14	15[b]
El Salvador	9[c]	8	7
Guatemala	15	13	4
Panama	13	13	11[b]

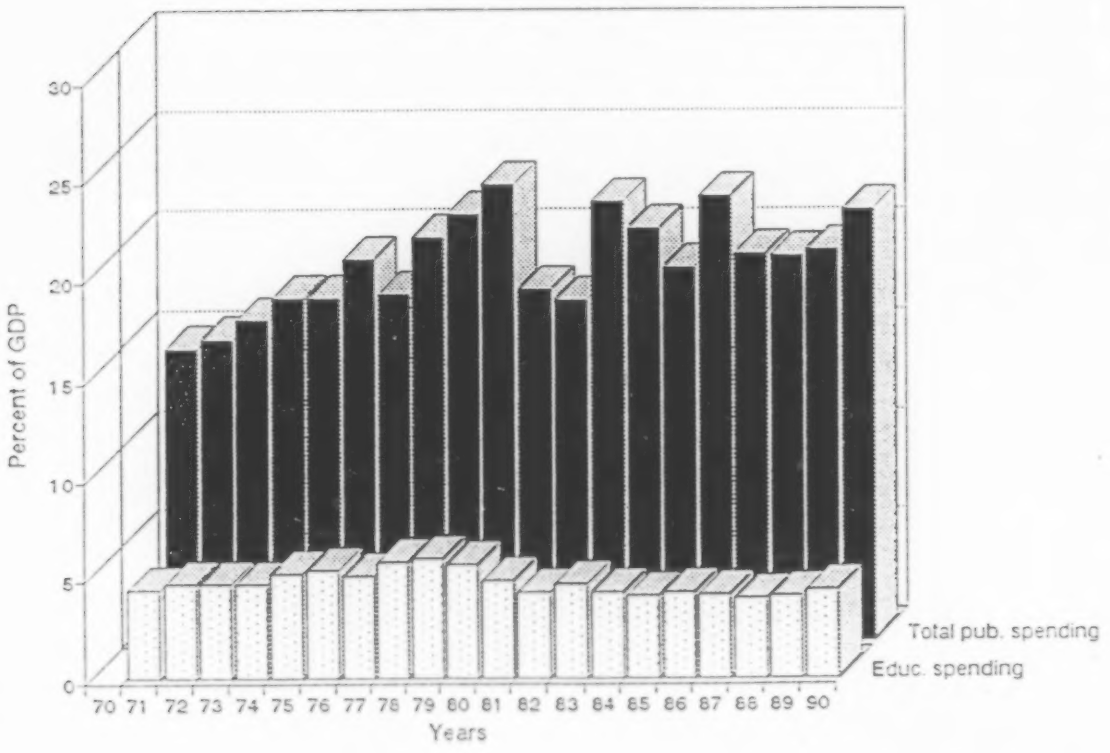
Source: UNESCO, Statistical Yearbook, 1990.
Notes: a. 1982.
b. 1987.
c. 1981.

Fig.1: Real GDP and GDP per capita selected years (1985 colones)



Source: see table 1.

Fig.2: Total public and education spending, 1970-1990 (% of GDP).



Source: see table 2.

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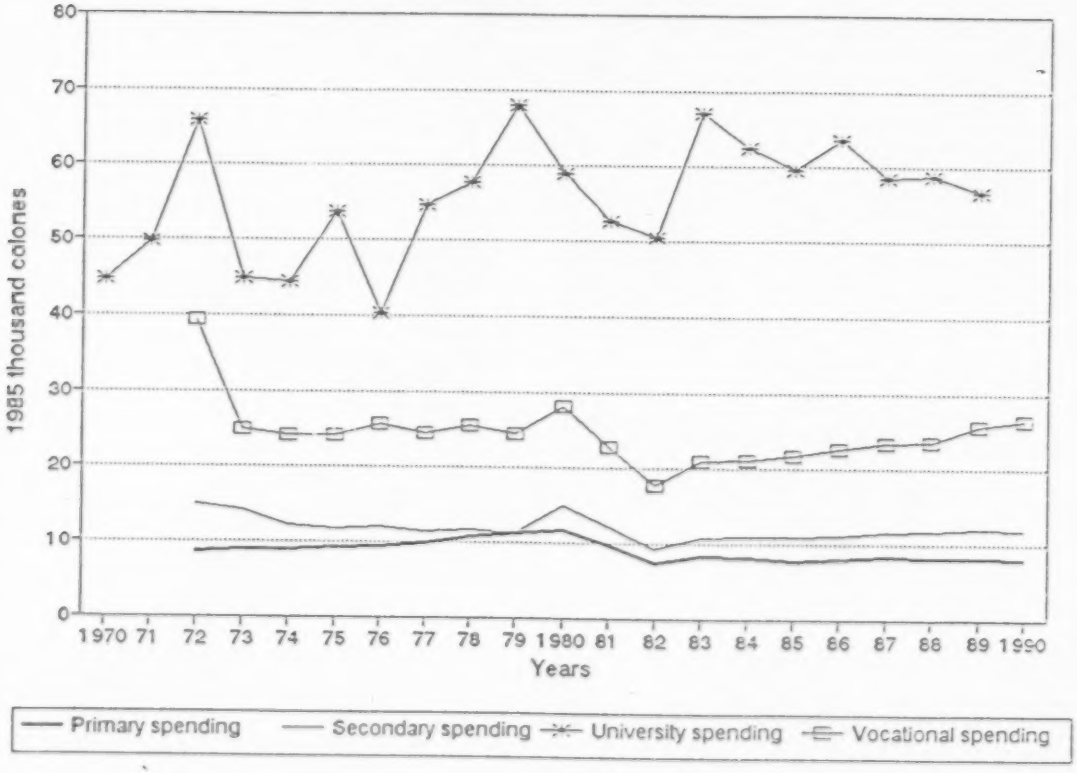
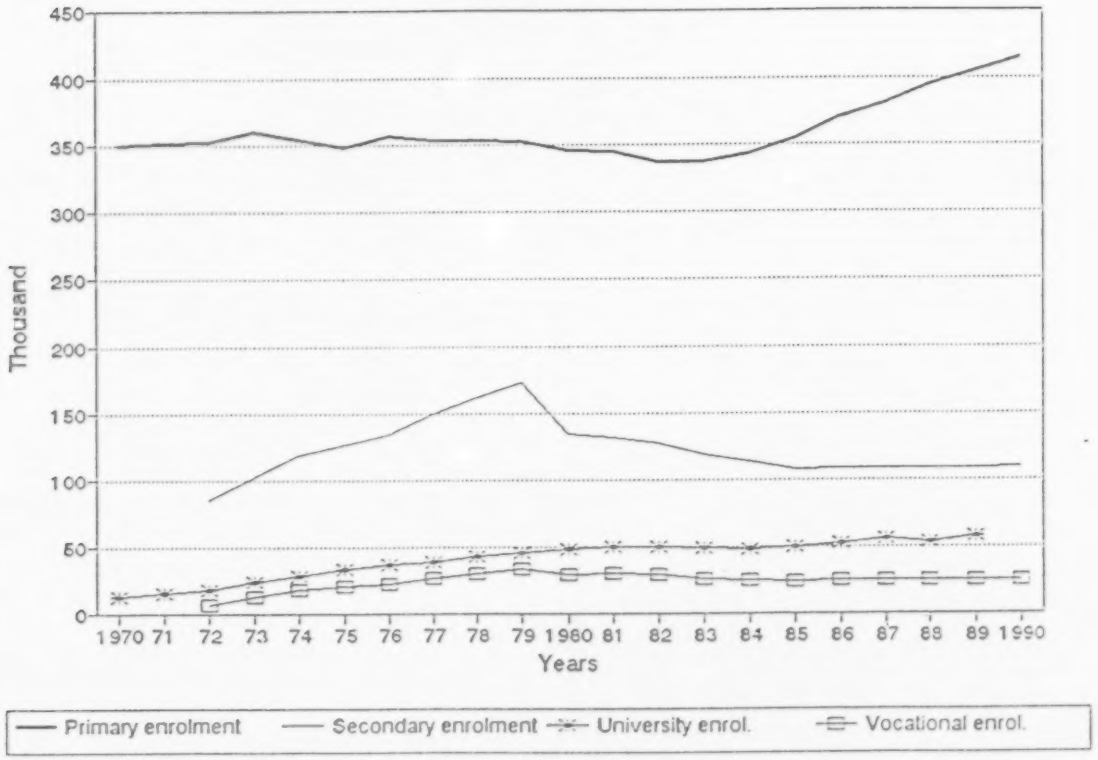
Fig.3: Per pupil public spending by level, 1970-1990.



Source: see tables 9,10,11,12.

Fig. 4.: Public enrolment by level, 1970-1990.



Source: see tables 9,10,11,12.

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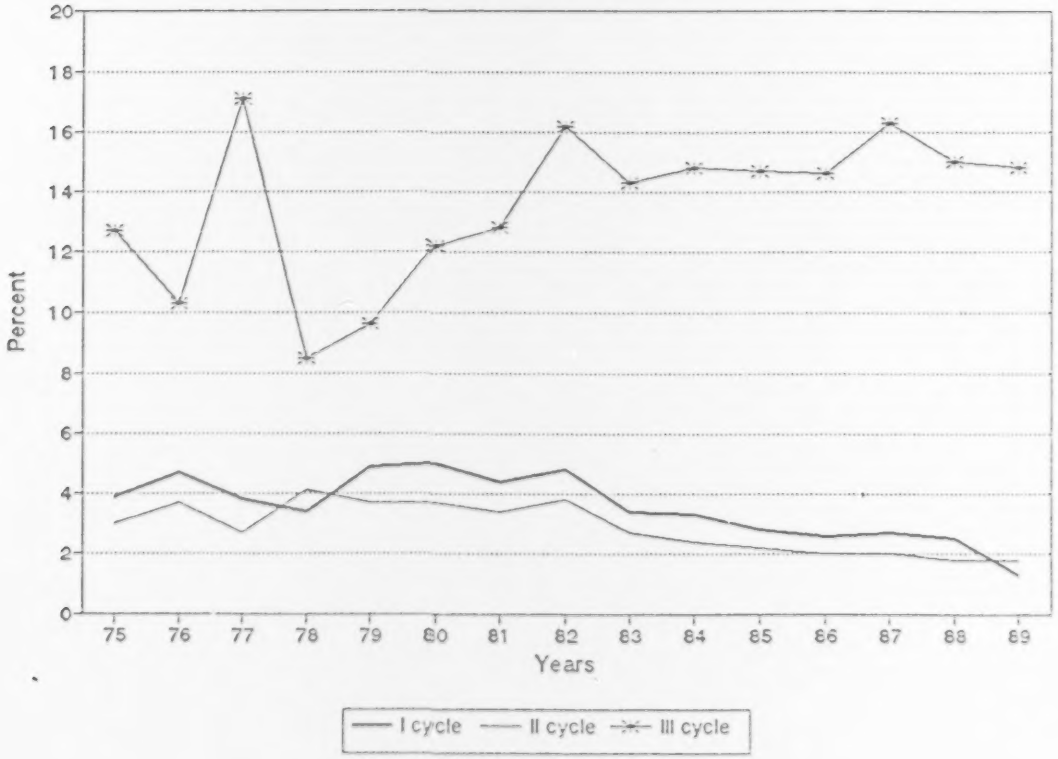
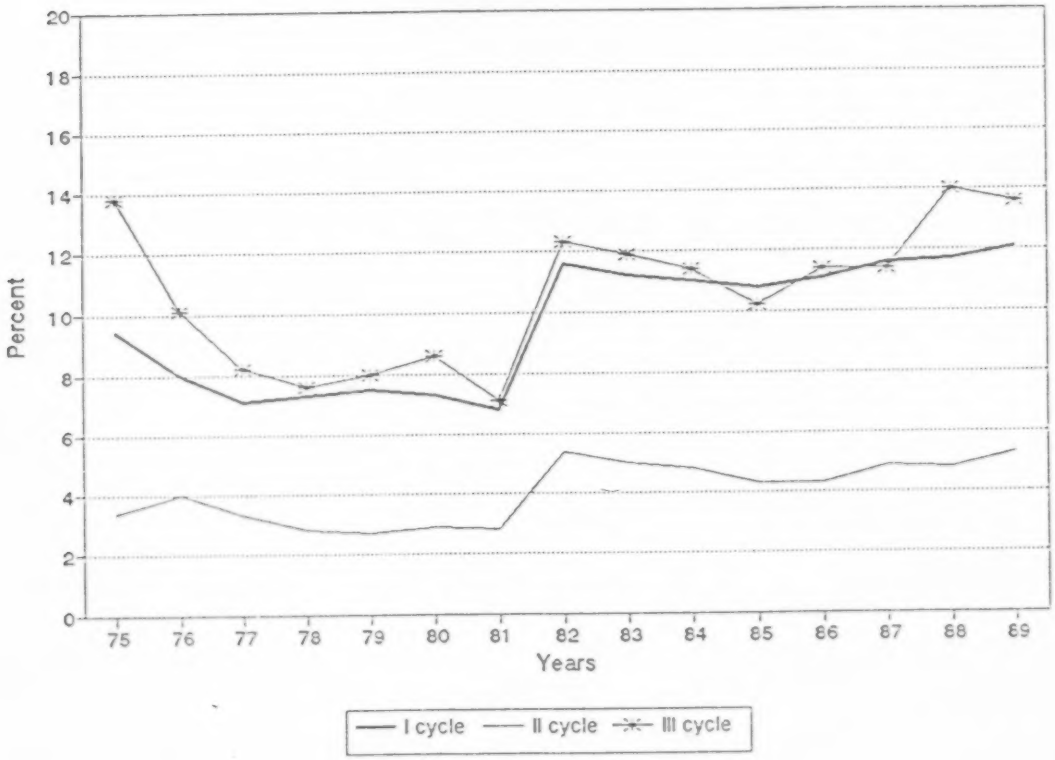
Fig.5: Dropout rates, primary and secondary education, 1975-89



Source: see table 16.

Fig.6: Failure rates, primary and secondary education, 1975-89



Source: see table 16.

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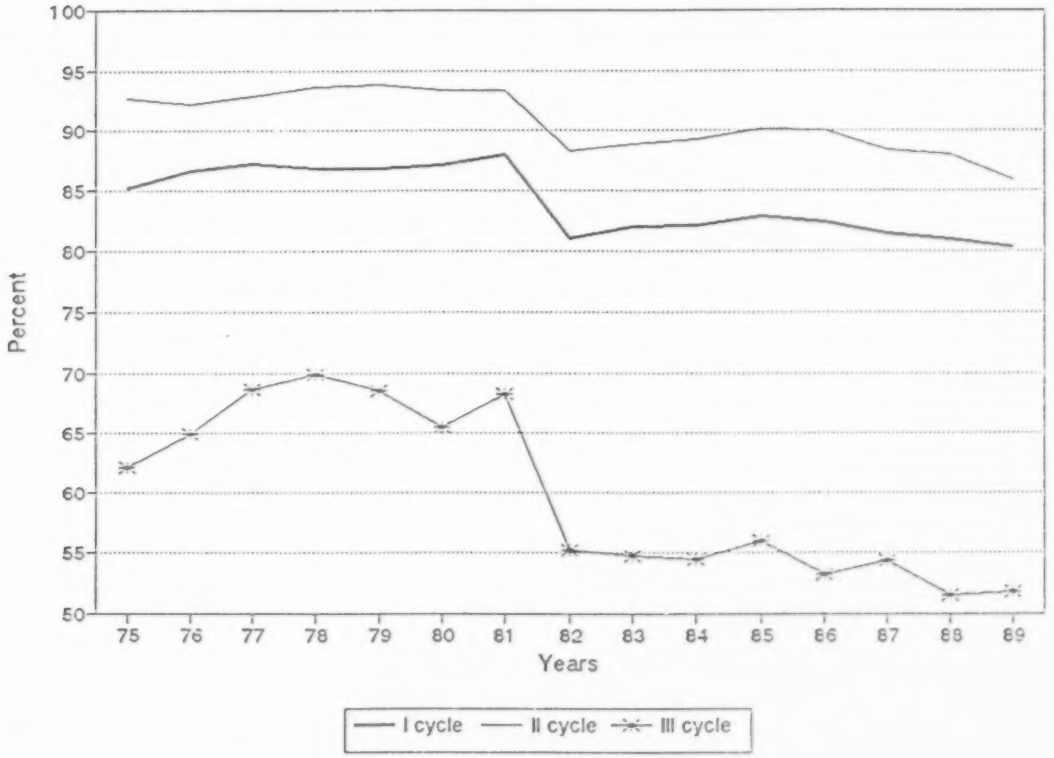
Fig.7: Promotion rates, primary and secondary education, 1975-89



Source: see table 16.